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SAFEGUARDING FUNDS

Financial and Fiduciary Matters

EDITED BY

ALFRED WILLIAMS ANTHONY

Chairman, Committee on Financial and Fiduciary Matters, Federal Council
of Churches; formerly Executive Secretary, Home Missions Council

ROBERT L. KELLY

Executive Secretary, Council of Church Boards of Education; formerly
President, Earlham College

LEWIS B. FRANKLIN

Vice-President and Treasurer, National Council of the Protestant Episcopal
Church; formerly Vice-President, The Guaranty Trust
Company of New York



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DR. NORMAN A. WIGGINS

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ALFRED WILLIAMS ANTHONY

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Papers presented at a Conference of
Treasurers, Financial Secretaries and
others intimately connected with the
Administration of Funds, at Atlantic
City, New Jersey, February 16-18, 1925.

The Committee on Financial and Fiduciary Matters
The Federal Council of the Churches of Christ in America
105 East Twenty-second Street
New York

INTRODUCTION

MONEY IS A HOLY THING. It represents toil in the first place, and then thrift and saving. Thrift and saving always involve sacrifice. Money, then, is a concrete expression of sacrificial efforts preserved for future uses.

Possessors of wealth, as stewards of this holy thing, are more and more consecrating it to longer periods of usefulness. They, through the medium of organizations for missionary and educational enterprises, with the co-operation of legal advisers, who aid them safely to dedicate their benevolence to future uses, in the custody of banks, trust companies, and persons or societies invested with fiduciary powers, are the parties or agencies concerned in the solidifying and the perpetuation of the work of the Kingdom, which is to last through many generations. The four groups really at interest, who hitherto have been co-operating without knowing it and are recently discovering the interests which they have in common and their joint relationships, are—

(1) Givers, either by present donations or through bequests written into wills;

(2) Missionary and educational organizations of great variety of powers and service, connected with denominations and churches in all of their multifarious forms;

(3) Lawyers, who draw up wills, write contracts, and advise in the final disposition and the handling of funds; and

(4) The trustees, trust companies, banks with fiduciary powers, insurance companies and other groups invested with powers for the purpose, who hold wealth in their possession, administering wisely, distributing income and passing principal undiminished on to the future.

Matters in this field of common interest were the subjects of consideration at the conference held under the auspices of the Committee on Financial and Fiduciary Matters of the Federal Council of the Churches of Christ in America, at Atlantic City, New Jersey, February 16 to 18, 1925.

The following papers were presented and are now published in response to the vote of that conference. Gratitude is due to all who co-operated.

Many of these subjects have been little more than touched at their fringes, and call for extended investigation and study. What is here printed should be looked upon as a beginning.

The Committee on Financial and Fiduciary Matters will welcome criticism, comment and suggestion.

In behalf of the committee,

ALFRED WILLIAMS ANTHONY.

105 East Twenty-second Street,
New York, N. Y.

COMMITTEE ON FINANCIAL AND FIDUCIARY
MATTERS

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CHAPTER I

A METHOD OF CARING FOR DEPRECIATION THAT WILL ENABLE EDUCATIONAL INSTITUTIONS TO CON- SERVE THEIR PHYSICAL PLANT AS PERMANENT EN- DOWMENT AND TO PRESERVE GIFTS FOR BUILDINGS OR FOR MATERIAL EQUIPMENT AS PERMANENT MEMORIALS.

BY DONALD J. COWLING

President of Carleton College, Northfield, Minn.

The theory of endowments as followed by American colleges and universities today is of comparatively recent date. Most of the money given to these institutions in early years was contributed without any thought of permanent endowment and was spent over a series of years for current expenses—a method still followed by most missionary societies except for occasional restricted gifts.

In recent years a clear-cut, well-defined policy with regard to endowment funds has been developed, and educational institutions now hold themselves strictly responsible for preserving all permanent funds intact, and where losses occur such losses are publicly acknowledged in the treasurer's annual report.

This theory of endowments should be applied to the physical plant of an educational institution as well as to its permanent funds. There seems to be no good reason why a college should spend in any given year a portion of its material equipment, represented by depreciation, without recognizing this fact in its annual accounting, any more than that it should disre-

gard a loss of part of its endowment funds. A clear distinction should be made in this connection between charges for current repairs and replacements and a suitable charge for depreciation, which represents deterioration not calling for immediate replacement. It is obvious that all expenditures for replacements and repairs are part of the current expense for maintenance. It should be equally clear that the actual expense of operation includes whatever deterioration has taken place in the physical properties of an institution, and this deterioration should be represented by a corresponding charge in the maintenance budget.

This depreciation charge should be adjusted to correspond to the actual conditions, averaging perhaps 2 per cent on well-constructed buildings, 5 per cent on permanent equipment, and perhaps as high as 20 or 25 per cent on equipment which can be used only for a few years. These charges should represent such wear and tear on buildings and equipment as cannot be restored at once by replacements or current repairs. The percentage of depreciation to be charged on any building or piece of equipment would depend upon the estimated life of the property in question and upon its salvage value at the end of its period of usefulness. It is desirable to have this percentage remain as constant as possible throughout the life of any particular piece of property, but there is no reason why this percentage should not be adjusted occasionally if by so doing the actual amount charged off can be made to represent more accurately the process of deterioration. In case it should seem wise to let a building deteriorate, having in mind tearing it down at the end of a given period, the depreciation charge should be so arranged that the amount in the reserve fund when the building is taken down, plus the salvage value of the building, will be equal to its original cost.

The various amounts charged to the maintenance budget for depreciation should be actually deducted from the book value of the various buildings and equipment units in question, and the percentage charged for depreciation the following year should be based, in each case, on this depreciated amount and not upon the original cost.

The income from these current charges for depreciation should be set aside in special reserve funds for the separate buildings and their equipment and for whatever additional equipment units are recognized, such as furniture, etc. The book value of any building (cost less depreciation charged off annually), plus the actual amount in the corresponding reserve fund, should always be equal to the original cost of the building.

In this way a fund will gradually be built up for each building which, at the end of the period of the building's usefulness, will equal the original cost of the building. Buildings as well as endowment funds may thus become permanent memorials.

This method does not provide for fluctuation in the value of money. On the other hand, this difficulty is no more serious in connection with the value of buildings than in connection with the purchasing power of the income from regular endowment funds. No system has yet been devised which will guarantee the uniform purchasing power of the income of a given sum of money over a long period of years.

The income from the special reserve funds may be used for current expenses, thus giving the college, in any given year, the full benefit of the use of the total original gift. For example, suppose a donor should give a college \$100,000 for a building. It is obviously his desire that the institution should have the full use of the money in a given year. During the first year this full use is represented by the opportunities pro-

vided by the building. If during this year the building has deteriorated to an extent represented by 2 per cent of its cost, it is obvious that the building in the second year offers the use of only \$98,000 worth of property. If the remaining \$2,000 has been set aside in a reserve fund, the current work of the college is entitled to the income of this \$2,000 in order that the total income of the original \$100,000 may be utilized for current purposes in a given year. These replacement funds, while they remain intact, thus function as endowment funds.

The reserve fund may also be drawn upon for major repairs and permanent additions to a building. When so used the cost of the improvements should be taken from the reserve fund and added to the book value of the building in question.

By the above method of charging replacements and minor repairs to the current budget for maintenance and of setting aside in replacement funds a proper amount for depreciation, it should be possible to maintain a college plant in excellent condition without any expense other than what is provided for by the regular current income for maintenance.

CHARGING OFF DEPRECIATION: AMORTIZATION OF PLANT.

BY J. EDWARD BAKER

Blodget & Company, New York

A method of caring for depreciation as applied to endowed buildings, having in mind an attempt to make this type of memorial a permanent one, is a question that has been discussed by engineers and accountants more than any other item in accounting.

I would like to invite attention to page 50 of "Tests of a Public Utility Bond" and the discussion therein of the items "Maintenance and Depreciation" which may be quoted as follows:

Obsolescence and the process of deterioration, or the combination of these factors, will eventually wipe out the value of any plant, and a charge usually called a "depreciation charge" is currently carried which theoretically should return to the owner the entire cost of renewing the plant before its utility has actually become exhausted.

Depreciation should not be confused with maintenance. The cost of repairs to parts of a plant is included in the maintenance charges. The two accounts are separate and distinct.

If I were handling the accounts pertaining to a memorial building, I would first endeavor to estimate the probable useful life of the building in question. Having determined this as scientifically as possible, I would next endeavor to ascertain what might be the salvage or junk value of the building at the end of its estimated life. For a practical example, after having made these two determinations, I would handle my accounting somewhat as follows:

Let us assume that a building costs \$100,000, and after consulting with experts have assumed that the useful life of the building will be fifty years and have

estimated that the salvage value will probably be \$20,000. It is plainly apparent that in the fifty-year period it would be necessary to set up a reserve account that would have in it at the end of the estimated life of the building the sum of \$80,000, which sum plus the salvage value would equal the original \$100,000 endowment. Offhand, it would appear that the simplest method would be to charge to operation and set aside a reserve each year of one-fiftieth of \$80,000—that is \$1,600 per annum; but this would not be scientifically correct, because the treasurer, in handling this \$1,600 received at the end of each year, would either lend the money to some other department or invest it in securities that would enable this \$1,600 to earn a return. In either case the endowment for the building in question should be credited with the earnings that can be made on its reserves. For example, if the institution is averaging 5 per cent per annum on its investments, that same amount should apply to any funds in a particular building reserve account. Or if the money is loaned to another department, particularly in the case of an expanding institution, the other department should be charged 5 per cent per annum for the use of this money.

It should be pointed out that there are as many different ways of figuring depreciation account as there are experts qualified to discuss the problem. The method of setting up this reserve which is suggested, is not the most scientific, but for the purpose closely approximates an ideal.

By referring to an annuity table, we find that if we invest regularly each and every year for fifty years \$4.78, which earns interest at the rate of 5 per cent per annum, compounded annually, at the end of fifty years there would be an accumulation totaling \$1,000. Therefore, bearing in mind the practical example noted above, where we wish to accumulate \$80,000, we

would set aside in our reserve eighty times \$4.78, or \$382.40 per annum.

At the end of the second year you would have to enter a credit item for the 5 per cent annual interest earned and received for the account on \$382.40. Following this practice, at the end of the fiftieth year you would find that the treasurer had for the credit of the blank memorial \$80,000, and having sold the salvage from the building for \$20,000, you would have in your possession \$100,000 for the erection of a new blank memorial building.

Of course, there is one thing that cannot be provided for in advance, and that is the decreasing purchasing value of the dollar. One hundred thousand dollars invested in a building today would probably produce a much larger edifice than the same amount of money invested in a similar building fifty years hence. Certain types of constructions that could have been built in 1914 for \$100,000 would cost close to \$200,000 today.

CHAPTER II

WHAT IS THE BEST POLICY TO PURSUE WITH REGARD TO UNDESIGNATED LEGACIES?

- (a) FOR MAINTENANCE AND CURRENT WORK?
- (b) BUILDINGS AND EQUIPMENT?
- (c) ENDOWMENT?

BY CHARLES L. WHITE

*Executive Secretary, American Baptist Home Mission Society,
New York*

A study of the receipts from legacies, both designated and undesignated, by The American Baptist Home Mission Society, organized ninety-two years ago and which has a constituency in thirty-four states, reveals the fact that they have come almost entirely from the older and eastern states. The history of this society reveals probably a cross-section view of the entire country. In the south relatively few legacies have been thus far received by missionary organizations, and educational and philanthropic societies have obtained, I conclude, small amounts from that section of the country. Only in recent years are legacies beginning to come in increasing number from the Pacific coast and certain western states, and to a large extent from those who have made their fortunes in the east.

The institutions in the south and west have also been under such pressure to build their equipment and to obtain money for current expenses that they have hesitated, and all too long, probably, to emphasize retarded gifts through legacies. Certain northern societies however, especially during the last fifteen years, have insistently urged the making of wills, and are

popularizing the matter in varied advertising in which the corporate name of each society is given, with warnings that failure to introduce into wills the correct corporate names is disastrous, as it has proved in many cases.

I have no doubt that there are six thousand wills already written for the society of which I am executive secretary, and there are probably hundreds of thousands of wills benefiting all kinds of Christian and philanthropic institutions in our country. At the present time the number is rapidly increasing, if we can judge from the frequency with which lawyers and others are inquiring for the correct corporate names of missionary societies. The experiences growing out of the recent war have doubtless stimulated the writing of a vast number of wills. A certain type of men and women rather hesitate to die without making provision for the extension of the Kingdom of God.

Legacies regarded as undesignated by the society receiving them, in some cases may be intended by their donors to be added to the permanent funds. However, the society receiving a legacy which is given for its general purposes is free to make such use of it as it desires.

Some organizations add all undesignated legacies to their permanent funds.

Others plan to do this, but in emergencies take certain amounts to offset certain deficits.

Others spend legacies as fast as they receive them, building their budgets on large expectations, report deficits when the legacies are small, raise them by special appeal, and spend all legacies in the years when their receipts are even unusually large.

There has been a growing tendency, however, in recent years, to establish an equalizing fund which takes a variety of shapes. My own society anticipates an annual receipt of \$100,000 from legacies. If it

receives more than this amount in any one year, the surplus goes into a Legacy Reserve Fund. If it receives less than the amount expected in any one year, it draws from its reserve fund enough to make good the deficit. At \$150,000 the reservoir automatically spills over into certain extra forms of work which have been waiting for execution.

An ideal plan would be not to build budgets with legacies in view and to spend the amounts that are received as opportunities occur for strengthening and enlarging the work.

(a) *For Maintenance and Current Work.* This provides an even flow of the legacy over a series of years, continuing possibly work in which the donor was known to be most interested, or starting a project and maintaining it until it grips the hearts of those who will continue it.

(b) *For Buildings and Equipment.* Large amounts can thus be used and extension work thus be provided. But from the legacy a fund should be set up, yielding at least two per cent annually of the capital investment, for repairs and improvements, to prevent a drain on current expenses for this purpose and to obviate the danger of over-extension of missionary activities. It is possible to use legacies to such an extent for buildings and equipment that the drag on the general income is dangerous. However, to place permanent endowments in buildings or even those yielding rentals from students is unsound, especially without providing for replacement or repairs.

(c) *For Endowment.* The creation of endowments may be influenced entirely by one's view of eschatology. Many believe, however, that endowments should not be encouraged because the Kingdom of God increases by geometrical rather than by arithmetical progression. It unfolds by a budding process.

Its growth is biological rather than mechanical. It is believed that the principal of legacies spent in creating life and the multiplication of influence through personal contacts, advance the Kingdom of God further than to use the income of an endowment more slowly.

SUPPLEMENTARY REMARKS IN RESPONSE TO QUESTIONS

Painful results follow the failure to write proper corporate names in wills. My own society has suffered because of failure to do this. Considerable sums annually lapse back into estates because the courts cannot interpret the meaning of the language employed by the maker of the will.

Secretaries and all others who have fiduciary responsibilities should be alert when conversing with their friends about the distribution of their estates. The celebrated Fairweather will distributed a vast amount of money among a group of colleges whose names fortunately were correctly given by a friend whom Mr. Fairweather met on the street shortly after he had determined at all events to distribute his property by will.

It is reported that the maker of one will, distributing a large amount of money to a group of institutions, copied seriatim a list of names from a certain encyclopedia of that year and incorporated into his will this list in the exact form in which he found it in that volume.

In recent years a man in middle life, being advised by his physician that he must set his house in order, made inquiries in New York as to how he might distribute his property for the benefit of women and children in ways that hitherto had not been discovered. I hope that several suggestions of mine

have been incorporated in that will. At the present time I am in touch with a family who are studying ways in which they may distribute as much as four million dollars.

A woman in New England urged by her lawyer to draw her will and having no suggestion was questioned by him as to some society in which her mother was deeply interested. Discovering what this society was, but having no particular interest in religious matters herself, she gave her entire estate for this missionary organization and it was the largest legacy up to that time that it had ever received.

A bachelor in the middle west did not make a will, but gave his estate to his brother with suggestions to distribute it in exact line with a letter which he had received from the president of a New England college.

Within two years I have met in New York a very rich man who told me how disappointed he had been that during his lifetime he had not been able to give away a sum of one million dollars for purposes for which he had intended it. One wonders what that man, who is several times a millionaire, will do with his property.

Experience shows that people of wealth are exceedingly anxious to draw their wills in favor of missionary, philanthropic and educational institutions and to converse freely and confidentially with those in whom they repose complete trust.

I am reminded of a story which I wrote some years ago, which was published in *Missions* and which can be secured from the office of the Committee on Fiduciary and Financial Matters of the Federal Council. It created considerable consternation in my own denomination, as it showed the expensive and painful ignorance of an otherwise well informed, distinguished minister in a certain denomination when he discovered

that he was not able to advise a wealthy parishioner of the corporate names of the missionary societies in his denomination. He had accepted the invitation of this friend to spend a few days in the Adirondacks with him and they had had their preliminary conversation about the matter, when a lawyer from New York arrived prepared to draw a will distributing fourteen millions of dollars, the man's entire fortune. The lawyer, however, had failed to get the correct names of the societies, relying upon the minister. The minister, of course, was fearfully embarrassed, and the party decided to return immediately to New York where they arrived late at night with the determination to conclude the matter the next morning at ten o'clock in the layman's office. However, at breakfast the next morning the layman died, and the money was lost to the denomination. The lawyer, who was the executor of the estate, found it difficult to forgive either himself or the minister. He hurried to the minister's house and explained the terrible situation that had arisen, and both saw the "Fruitage of Ignorance," which is the title of the story. As the lawyer read the will which he had prepared incorporating the suggestions of his client, the minister realized what terrible results were following his unfortunate experience. He fainted at the end of the reading when his parishioner affectionately referred to the great debt which he owed his beloved pastor which he desired in some small measure to repay by a legacy of fifty thousand dollars.

The story created quite a sensation in the denomination, and Dr. Grose, the editor of *Missions*, received many letters asking about this regrettable experience, if it were true, etc. He replied to each letter that it was true to life. The writer has never received a word of criticism from any minister. It would probably be a great strain upon the accurate knowledge of anyone

here to be asked to write down immediately all the corporate names of the missionary societies of his own denomination.

The habit of some societies to have undesignated legacies cumulative until they reach, for instance, a million dollars as one home mission society has agreed to do, suggests an interesting plan, but any society doing this should guard itself by agreeing to set up the total net income of the fund or it may find itself, on account of adverse legislation, in a serious financial predicament.

Two ways to promote the making of correct wills is to place permanently in printed form under a framed glass the list of all the missionary, educational and charitable societies of the nation and of the state in which the church is located, and to secure from retiring pastors the facts concerning people of wealth in the church recently served.

CHAPTER III

THE ISSUING OF ANNUITIES. AT WHAT RATES?
UNDER WHAT CONTRACTS? SHOULD ANNUITY
FUNDS EVER BE RECEIVED AS MEMORIALS? IF
SO, UNDER WHAT CONDITIONS? INVESTMENT OF
PRINCIPAL.

BY FRANK H. MANN

President, Union Mortgage Company of New York
Treasurer, Federal Council of the Churches of Christ in America
Former Secretary, American Bible Society

It is my understanding that this conference is dealing with the technical side of the financial problems of religious institutions and is not now so much concerned with promotional methods and programs.

Annuities as we shall discuss them this morning include all forms of conditional gifts made by interested persons to any of the institutions here represented.

The condition usually imposed is that the recipient of the gift pay an annuity in semi-annual or quarterly installments to the donor of the gift during the donor's lifetime. There are, however, many variations; as, for example, where the annuity is paid not to the donor but to some person designated by the donor, or where the gift is not made in cash but in securities, where the obligation of the recipient is limited to the actual return from the securities deposited, and where in default of dividend payments on the securities no obligation to pay the annuity rests upon the recipient.

It is obvious at once that in view of the many variations to which this type of gift is subject no absolutely uniform contract can be prepared that will cover all

cases. It should be said, however, that the overwhelming majority of cases can be covered in a simple form of contract drafted to suit the needs of the particular organization. It is my judgment that a handsomely printed or engraved form of contract should be prepared. There is no particular virtue, of course, in either the engraving or in the elegance of the workmanship. Nevertheless it reflects business-like methods which inspire confidence and have a decided value to those officers of the organization who are responsible for the promotional program.

Perhaps the most important consideration in connection with the form of contract is that it should be drafted in such a way that it is perfectly obvious that the amount given to the organization by the donor is an outright gift of which the donor becomes the immediate possessor and which he may handle and dispose of in any way that his organization pleases, consistent with the general purpose of the gift and the specific limitations that may have been agreed upon. The importance of this cannot be over-emphasized. It affects problems of income tax during the lifetime of the donor and problems of inheritance and transfer taxes after his death. In some cases it is a necessary precaution in the avoidance of controversy with relatives and legatees named in the donor's will. There are those in this conference, some of them attorneys for our larger organizations, who have given much thought and study to this phase of the problem and who can give specific information on the subject.

The question is raised as to whether money given on the annuity basis should be accepted for the purpose of creating memorials, or as a part of the permanent trust funds of the recipient institution.

It is my judgment that annuity money should be received for the purpose of creating memorials or for trust funds; provided, however, it is agreed that only

the residuum of the original amount remaining at the death of the annuitant should be so dedicated—that is to say, if the annuitant had been paid through a period of years an amount larger than that received by the organization from his invested gift that the amount of the gift should be reduced by this excess of payment and only the balance included in the memorial or trust fund. It might even be wise to stipulate that the expenses of handling the fund during the lifetime of the donor should also be deducted in reckoning the residue available for the trust or memorial. Such agreements, of course, call for special forms of contract which should always be subject to advice of counsel.

Where a person desirous of creating a memorial wishes to have the memorial of an amount equivalent to the original gift, there are many ways by which this can be done consistent with the principle just stated. For example, it could be provided that at the death of the donor the residuum of the gift shall be invested and the interest added to the principal until such time as the amounts shall equal the original gift.

When it comes to matters of rates, no fixed program can be offered. Rates not only vary as between the boards of various denominations but they even vary as between the boards of the same denomination; although, of course, there is a tendency for boards of any denomination to agree upon and advertise a common rate. No matter what rates may be established and advertised they must of necessity be subject to modification in order to suit the requirements of special gifts.

Perhaps the most commonly employed rate for single life annuity and one which might be considered as the average is arrived at by placing a decimal point between the two figures of the age. For instance, a man of 65 years of age would be given 6.5—in other

words, the rate is stated by taking 10 per cent of the age of the individual. How these figures were originally arrived at I have never been able to learn.

Some organizations have a policy of offering very low rates to persons in earlier years and somewhat higher rates than indicated above to the older age groups. This is done with a definite view of discouraging annuity gifts of younger persons. If this is accomplished, it would tend to reduce the average of the life of annuitants handled, which will insure a more rapid maturing of the annuity gift.

The matter of rates must be governed by the answer to the question—What will produce the largest return to the organization? If the rates are low, the number of annuitants will be decreased, but the net return on each annuity will be increased. If the rates are high, the number of annuitants will be increased, and the net return on each annuity will be decreased. The real question involved is which of these two policies will produce the largest available sum over a period of years for the institution. It is my judgment that the higher rates which will substantially increase the volume of business will, in the long run, produce the largest financial returns.

With regard to rates on joint annuities—that is, annuities in which two or more persons are involved, two methods are in vogue. One is a scale by which the rate is considerably reduced from what it would be for either of the contracting parties singly. The other method is to base the rate upon the age of the younger or youngest of the contracting parties using the single life table in determining the rate. This latter method is unscientific and fails to take into account the increased probability of life and tends to encourage applications for joint annuities which on this basis would, of course, be less profitable than single life annuities.

Every organization which has been conducting the annuity program over a period of time should from time to time have an actuarial study made of its records.

Perhaps a distinct service could be rendered by the Federal Council Committee if the records of all of the organizations carrying on the annuity program could be carefully compiled and studied as a whole. I am informed that one or two organizations have just completed or are about to make studies of this character.

Methods of bookkeeping in the handling of annuities is of considerable importance. One process in vogue in some organizations is a ledger account with each annuity, by which a principal of the annuity is each year reduced by the difference between the amount received on the investment and the amount paid out to the annuitant. There might be included in this also the amounts apportioned for expenses.

Other organizations pay these differences out of the amounts becoming available by the death of the annuitants and so avoid the considerable amount of bookkeeping involved in the first method.

Organizations instituting the annuity method for the first time find it necessary for a period of years to take care of the deficit from current funds for which, of course, provisions would have to be made in the budget.

To my mind a better method than any of these is that which has been recently adopted by the American Bible Society in which the annuity fund has been set up as a separate, independent and self-supporting account.

By carefully conserving its annuity funds the society has built up a sufficient reserve to make it possible to establish this method. The expectation of matured annuities is sufficiently great to make this program practical. The original amount given to the society is kept intact during the lifetime of the donor. There has been set up as the base of operating what is called a reserve and operating fund. All income

from these invested funds is added to the reserve fund. Whenever an annuity matures by death the full amount of the original gift is transferred to this reserve fund. At the beginning of each year a budget is made carrying the following items to be paid out of the reserve and operating fund:

(1) The amount of annuity payable in the next twelve months to present annuitants and those who shall be added during the current year.

(2) All bookkeeping and clerical charges in the treasurer's office connected with the handling of the annuity funds.

(3) All charges for promotion of the annuity program on the basis of a carefully prepared and budgeted program.

(4) An amount to be paid over to the current funds of the organization for the maintenance of its general work or for specific purposes as may be required by maturing annuities involving special obligations.

The advantages of this method are numerous.

In the first place it reduces very considerably and with utmost propriety the overhead charges of the organization.

Second, it places this program where it belongs as a distinct and separate investment.

Third, it stabilizes the available income from matured annuities and gives a guarantee each year in advance of what the organization is to receive from this source.

Wherever the annuity funds of an organization have been so handled as to permit of this form of treatment, it is my strong conviction that a program similar to this adapted to the needs of the particular organization should be set up.

With regard to the investment of funds—one can only lay down certain principles. It stands to reason, of course, that while these funds are not technically

trust funds they should be invested with the greatest of care and discretion and with due regard to the trusteeship of the organization.

Inasmuch as annuities constitute a form of insurance and are so recognized in the laws of the State of New York, it would seem desirable that investments should be governed partly by the regulations imposed upon savings banks and trust funds and partly by the regulations imposed upon insurance companies under the laws of the state.

The equity in these funds is based upon "McClinck's Table of Mortality Among Annuitants." It is required that a reserve shall be kept based upon these tables at a rate of 4 per cent per annum. Inasmuch as many of the institutions retain the entire annuity gift during the lifetime of the annuitant and inasmuch as all organizations keep a reserve larger than required by this law, there is at all times a greater or less surplus fund in each of the annuity accounts.

It is my understanding that insurance companies are allowed more freedom in the investment of this surplus than they are in the investments of their required reserves, and I see no reason why the discretion given insurance companies may not be exercised by religious organizations doing annuity business under state regulation.

Although this discussion is not supposed to deal with matters of promotion, I cannot refrain from urging extensive and persistent advertising of the annuity program. The religious press should be used as frequently and as largely as funds permit. Practically all printed matter of the organization should make some reference to annuities. The monthly or weekly periodical of the institution should be worked constantly. And the organization's membership should from time to time in judicious ways be informed of the annuity program.

CHAPTER IV

THE ACCEPTANCE AND MANAGEMENT OF TRUSTS— BY BOARDS THEMSELVES, UNDER "COMMUNITY TRUSTS"—UNDER THE UNIFORM TRUST FOR PUBLIC USES—SOCIAL AND ETHICAL IMPLICATIONS IN THE TRUST POLICIES.

BY CHARLES ELDREDGE

*Assistant Vice-President, Bank of New York and Trust
Company, New York*

In opening the discussion on the acceptance and management of trusts, I note that the first part of the subject refers to the management by boards themselves.

It is the practice of all large and well-organized religious, charitable and educational institutions to select men of the highest type obtainable to serve on their boards and for this reason efficient management should result. However, I have never served on any such board, and, therefore, do not feel competent to discuss the question of management of funds by them. For many years I have been identified with the work of the trust company, and I would, therefore, rather proceed at once to the management from the standpoint of the trust company in which field I am more at home.

Perhaps what I have to say will seem to most of you rather elementary, but those of us who have been brought up in the trust company have found considerable misunderstanding among intelligent people as to what a trust company really means, so I am going to run the risk and hope you will forgive me if I am making a mistake.

Speaking generally, the majority of men and women have some interest in life besides that of their own families, and desire to help humanity in some way. When the individual is blessed with a proportionately large share of wealth, this desire frequently manifests itself in a gift either during life or under a will to a particular institution, a group of institutions, or a general cause.

If property is given outright during the life of the donor for immediate use, there is usually no question but that his wishes are properly carried out; but, on the other hand, if he sets aside a portion of his wealth to be used gradually over a period of years or to be used as an endowment of some worthy object, it is necessary to make provision for carrying out his wishes. In this case it is best to appoint a friend, a group of his friends, some trust company, or a bank with fiduciary powers, to act as trustee for him during the remaining years of his life and after his death.

Gifts entrusted to a trustee during the life of the donor are called "living trusts"; but, if the individual prefers to wait and distribute his wealth by will, trusts so created are called "testamentary trusts." In disposing of wealth there are two very important points to be borne in mind after the beneficiary or beneficiaries have been decided upon:

- (1) The selection of the trustees.
- (2) The wording of the trust deed or will.

The selection of the trustee is naturally of the greatest importance both to the individual who is disposing of his worldly wealth and to those who are to benefit by his generosity.

If one individual is selected as trustee, the problem is not at all solved, as, of course, the trustee might die at any time, or become tired of this extra burden thrust upon him. It has also happened too often that

an individual has become mentally incapacitated or has not been able in declining years to grasp the meaning of the continually changing conditions in the community and the always rapidly changing situations in the investment field. The latter is most important because with few exceptions trust funds are invested in bonds, stocks, mortgages, or real estate, and it is imperative that the trustee be ever watchful for changes which might affect the property entrusted to his care. Although in New York State the trustee cannot be held liable for the shrinkage of the trust fund, if invested in accordance with the law, provided due diligence and care has been exercised, nevertheless a conscientious trustee would feel it a reflection on his ability if this happened, unless unusual circumstances should make the shrinkage unavoidable. If two or more individuals are selected to act as trustees, the dangers above mentioned are lessened but not entirely avoided.

If a trust company or bank with fiduciary powers is selected for the trustee, the danger of death is entirely eliminated and there is no danger of the trustee becoming tired of its trust. A trust company is organized for the express purpose of administering trusts of every description, and such companies have a large force of specially trained men and women to manage every possible type of business which could develop. There are specialists in bonds and stocks, specialists in bonds and mortgages, and specialists in the handling of real estate, and the highly technical question of insurance of various kinds. A well-organized trust company will have a sufficiently large force of men in each of these departments, who have had years of experience and careful training in their particular department, to meet any contingency which might arise. If any complicated reorganizations of companies occur, or if difficult situations arise in connection with

the bonds and mortgages or real estate, the trust company will have a great advantage over the individual in solving the problems for the simple reason that it has such large interests in all of these fields that it is usually possible for it to obtain correct information on the question not available to the average individual. Because of its many connections it is probable that the trust company will in many instances obtain advance information of a contemplated move on the part of some company in which a trust is interested which may prove of inestimable value; whereas it is likely that the average individual trustee would be unaware of the situation until too late to act. Individuals are often selected as trustees instead of a corporation because it is felt that the individuals will give more thought and attention to any intimate problems of the beneficiaries which might arise. This may be true in many cases, but judging from my experience in the Bank of New York and Trust Company it would seem to me difficult indeed for an individual to give more care and personal attention to the intricate and often very personal matters which continually arise than our officers exercise continually. I believe that this is not the exception with the company which I represent but that it is true of most well-organized and reputable trust companies and banks.

It would be possible to take up a great deal of your time telling of many instances of sad results from the management of trusts by individuals, whereas the same situations would have been met by a corporation as a matter of course with the directly opposite result. However, it is unnecessary to go into this phase of the trust business now.

The second important point to be considered in arranging a trust, as mentioned above, is the wording of the trust deed or will. As the trust deeds drawn to create living trusts are drawn during the life of the

donor and the property covered in the trust deed is set apart before the death of the donor, there is, comparatively speaking, little trouble in the way of contests of living trusts. In the matter of wills, however, the reverse is true. It has been stated that upon investigation, the New York State Bar Association and the New York Chamber of Commerce came to the conclusion that there is more litigation concerning wills than on any other subject, and that 73 per cent of all that litigation is over the wording and meaning of the wills; while only 8 per cent is concerned with mental capacity and undue influence. No one makes claim that these percentages are accurate; but in so far as the investigations went, it was shown that 82 per cent of the litigation about wills is of a preventable nature. Therefore, in the case of testamentary trusts the form of the will is of the utmost importance, and the form depends upon the selection of words used in making the gift. The proper selection of such words is one of the most important and far-reaching tasks of the legal profession. It is the business of that profession to be posted on the ways and means of doing things. It is accordingly of vital importance for those considering a gift under a will to employ the most competent lawyer obtainable and to follow his advice in setting forth the wishes of the testator in the words which will best carry out his ideas from a legal standpoint.

While charitable trusts are of very ancient origin and greatly favored by the courts, nevertheless informalities and defective statements in wills in their favor have always been the subject of much litigation. The principal reason for this seems to be that there has been no systematic method or standardized formula for the creation of such trusts.

To meet this difficulty and in order that there may be a uniform method of creating trusts for religious,

philanthropic and educational institutions, singly or in group, Mr. Daniel S. Remsen, of the New York Bar, has drawn up what is known as "The Uniform Trust for Public Uses." It is so designed that by the insertion of a few words in a will or trust deed any public gift will be insured the protection of a carefully drawn instrument and the benefits incident to corporate trusteeship. This form of trust has been studied and passed on by many of the most competent attorneys representing a number of charities and religious bodies of almost every Protestant denomination as well as by those representing Catholic and Jewish institutions.

"The Uniform Trust for Public Uses" is an agreement and not a corporation. It is similar to the better known "Community Trust," but different in these respects:

(1) It is both a community trust and a universal trust, including in its benefactions every class of charitable objects wherever they may be situated.

(2) As its name implies, it is the same in every community, wherever adopted, and does not differ with the communities.

(3) Because it is the same everywhere, being uniform, it facilitates understanding, avoids confusions and diminishes litigation.

(4) Being uniform and applicable to non-local as well as local benefits, it can serve organizations, the objects of which reach beyond local communities, such as missionary and educational bodies and institutions, and philanthropic agencies which in character are of world-wide scope.

A number of Protestant institutions and at least one Jewish society, by what is known as the Standard Resolution on Wise Public Giving, have approved three kinds of public gifts. These are reflected in cer-

tain forms of bequest issued by certain societies and duly approved by counsel. They are very briefly as follows:

First Form.—To be used when a person wishes to make an absolute gift to a religious, charitable or educational corporation for its corporate uses without specifying what use the funds are to be put to.

Second Form.—To be used when it is desired to create a trust to be administered by a specified charitable corporation as a trustee for its own purposes.

Third Form.—To be used when it is desired that the trust shall be held under "The Uniform Trust for Public Uses," for public charities or groups of institutions formed for charitable purposes whether local, national or international in scope.

If the third form is used, the trust company chosen should be one which is in general agreement with the ideas of your committees and preferably one which has formally passed the resolution and declaration of trust known as "The Uniform Trust for Public Uses."

The aim of this standardized trust is to extend to all communities and to all national, international and religious charities the full benefits of group charitable trusts now enjoyed by local secular charities through community trusts, endowments or foundations which are operating in many of the principal cities and communities of the United States.

It is intended for general use throughout the United States and Canada. It consists of a resolution which may be passed by the governing board of any trust company, or bank having trust powers. It is in terms a proposition or offer to the public to accept gifts for charitable purposes and to administer them according to the terms of the resolution. This public offer is open to acceptance by anyone, simply by making a gift and stating its charitable purposes. A binding

contract is thereupon effected and the corporate trustee is under legal obligation to administer the gift according to the terms of the declaration of trust and for the uses and purposes specified by the giver.

If the giver selects wisely and states clearly his charitable purpose, it will be carried out. If, on the other hand, he selects *unwisely* or states *inaccurately* his charitable purpose, powers will exist in the trustee, enforceable by the courts, to correct such faults and to so apply the available fund *as most nearly to fulfill* his wishes. In this way, litigation otherwise inevitable will be avoided and the public benefaction will be assured.

If a public-spirited person wishes to make his benefactions by means of immediate absolute gifts of definite sums to particular charitable corporations, he will have no need of a trustee or the Uniform Trust for Public Uses. If, on the other hand, he wishes (1) to found a charitable institution, (2) to create a permanent endowment or memorial, (3) to provide an income for one or more persons for life before his public benefaction takes effect, or (4) to leave a lump sum to be distributed for charitable purposes, he will find this form of charitable trust is designed for just such cases.

Although "The Uniform Trust for Public Uses" is new and, therefore, has not as yet been in general use, it is similar to the well-tried community trust, only much broader in scope. As it combines not only the good points of the community trust but also some points not covered by the community trust, it seems likely to come into general use and especially for the benefit of religious, charitable and educational institutions whose activities are not confined to any one community. Undoubtedly, as it becomes better known, many trust companies and banks with fiduciary powers will pass the necessary resolution which enables them to act as trustee under such trusts.

From the standpoint of the trust company, these trusts will be managed in the same way as all other trusts and receive exactly the same careful attention. The fees charged are small in proportion to the service rendered and like other trusts managed by the trust company, the testator as well as the institution or institutions which are the beneficiaries can rest assured that everything humanly possible is being done to carry out the wishes of the testator and that the trust is being managed to the best advantage of the beneficiaries.

As to whether it is wise to leave the gifts to religious, charitable or educational organizations direct, to be managed by their own trustees, it is usually true that the larger organizations established on what seems a permanent basis take particular pains to select men of high standing and long experience to serve on the board. But there are many organizations worthy of financial assistance and doing good work in many lines which find it difficult for one reason or another to choose men interested in the work who also have had wide financial experience. Perhaps my point of view may be considered biased, but I believe that it is better for the testator, as a general rule, to put the property in trust with a trust company, particularly if he uses "The Uniform Trust for Public Uses," than to leave property direct to the organization.

There is another service which the trust company renders to many organizations such as you represent, that is to my mind most important and that is to act as custodian for securities of charitable and religious organizations—sometimes as treasurer or as assistant treasurer. Securities left with the trust company under a custodian agreement are filed in our vaults, income is collected, and they are just as carefully watched and the same attention is given them as in the case of securities left under a trust agreement.

The principal difference lies in the fact that the trust company takes no responsibility as to the disposition of the securities, but usually acts only in an advisory capacity and depends upon explicit instructions from the authorized representatives of the organization for any change in the securities. The distribution of the income or principal, payment of bills, etc., are all attended to by the trust company as directed without any trouble or annoyance to the institution's representatives and complete statements are furnished as desired. The cost of the service is small and in New York most of the boards who are handling large invested funds are taking full advantage of this service. It is too much to ask men willing to give time and attention freely to charitable organizations to undertake also the actual responsibilities of handling large amounts of securities, when the trust companies stand ready to assume them at such moderate costs.

I realize that I have not only treated the subject of trusts in a very elementary way but also in a most decidedly general way. The subject is one which can be studied at great length to good advantage, but each individual case should be taken up as a separate problem and handled in the way which will best bring the results most desired. There are no two situations which are exactly parallel, and as it is possible to develop plans of administration to take care of nearly every conceivable difficulty, I feel confident that if you, as representatives of great religious and charitable organizations, or those who expect to make donations to organizations such as you represent, will consult with your own financial institutions, an agreement can be entered into which will present a real solution of your difficulties and will prove to be mutually satisfactory.

CHAPTER V

THE BUILDING UP OF ENDOWMENTS. METHODS AND POLICIES.

BY O. W. BUSCHGEN

*Department of Promotion, Board of Christian Education,
Presbyterian Church, U. S. A., Philadelphia*

Dr. Lyman Abbott, in a sketch of the life of General S. C. Armstrong, the founder of Hampton Institute, said: "There is no work that seems to me so discouraging as 'raising money.' The need seems so imperative, the public so apathetic." Expression has doubtlessly been given to similar statements from time immemorial which leads us to believe that the average man has had little experience in "raising money." Or, if he has had such experience, having met with the usual opposition, it has led him to believe that ours is the hardest job in the world and that he "would not have your job for anything."

In looking back over the years and seeing the increased enrollment in our institutions of learning, the unfolding lives and characters of young men and young women who are giving themselves to the service of their fellows, the faculties better housed and fed, the new and more commodious buildings, the increased endowment, and looking beyond, far, far beyond, realizing that all this is but a means to an end—with all that to thrill the heart, there is little place for discouragement to find a permanent parking place.

We will admit that if the matter of raising money for endowments, with endowment as an end in itself, were all, it would indeed be discouraging, but with endowments spelled s-o-u-l-s, it is comparatively

easy to forsake the comforts, friendships and the home ties of the pastorate that these may grow and increase.

It is much more difficult to raise money for endowments than for scholarships and buildings. People can see no reason for endowments as they can for buildings, or for helping a poor boy or girl who needs assistance. The running of a college from a business point of view is just the opposite of what every business man is trained to expect in business. The business man thinks in terms of expansion, and that in proportion to the expansion of the business will be the proceeds of the business. It is different with colleges, for the larger they grow, the more money they need, and the business man does not understand this.

If it is true, as John Knox has said, that "every scholar is something added to the commonwealth," it is also true that every student is something subtracted from the college. There are three outstanding reasons of a specific character why colleges need endowments and it is our task to bring these to the attention of the people:

(1) For every new student we need to raise twice as much as that student pays in tuition and fees, since the average student pays only one-third of the cost of his education.

(2) Colleges must have an adequate endowment in order that they may pay adequate salaries and may hold the right kind of teachers. We are losing many of the teachers we most need and they are going to institutions that can pay them living wages.

(3) As the expansion of enrollment means increased liability, so, if you put up a new building, whatever it is, you have to get from somewhere enough money to take care of that building. I would say that running over the period of the life of a new building, upkeep, heating, repairs, etc., you must raise annually

an amount equal to 10 per cent of the cost of the building to take care of it.

The Board of Christian Education, through its Department of Field Promotion, has for the past three years been engaged in raising money for the endowment of its educational institutions. A group of about thirty men has been sent from Synod to Synod at the invitation of the educational leaders of the Synod, from Presbytery to Presbytery, church to church, house to house, to impress upon the Presbyterian constituency its relation to the cause of Christian education as fundamental to the forward moving program of the whole church. From the experience we have had in the field of college financing certain observations have been made and certain definite conclusions have been reached. They are that—

(a) The church does not move forward on waves of prosperity.

(b) Success does not depend upon the state of the market.

(c) You cannot arouse enthusiasm among earnest Christian people for an institution of learning under the supervision of the church which does not surround the young men and women with wholesome Christian influences and which does not turn out a leadership for the church. Success does, however, in a large measure depend upon—

(1) *The worth of the institution to the church and the community.* We are constantly facing the question, Are they worthy of support? Is the church being repaid in lives and characters and leadership for the money it is putting into these institutions?

(2) *The worth of the pastor and the people.* How big are they? How wide is their horizon? How broad is their love?

(3) *The worth of the solicitors.* Are they men of consecration, tact, initiative, personality, devoted to the task, with one consuming passion—the advancement of the Kingdom of our Lord on every front?

(4) *And success in the first and last analysis depends upon the blessing of the Almighty.*

The problems of a Christian institution are quite different from those of a tax-supported institution. With all that tax-supported institutions can do through taxation, they still find it necessary to engage in extensive campaigns for increased endowment and equipment. The goals for many of them run well up into the tens of millions of dollars. On the other hand, the small Christian colleges in many of our states are engaged in an almost un-Christian rivalry and competition. Most of them are struggling for existence and are having a difficult time to pull through the year without a deficit. A number of them, unless immediate assistance is given them, will be carried out into the denominational cemetery where they will rest in peace among the relics and archives of former days.

All over the nation there has been a wild scramble for many years among the colleges to get at the few men and women of large means. These persons of wealth have also been the mark for every other charitable or eleemosynary institution. How to get at the money has been the problem. In order to meet it a financial agent has been employed. Sometimes he would be dignified by the title "Chancellor," or "Vice-President," or even "President." He would usually proceed on a cold trail to discover the marks of money.

Dr. Archibald Alexander, in his history of the Log College, in writing of the visit of Gilbert Tennent and Samuel Davies to England, where they went to solicit funds for the Log College, gives us an abstract of the letter Mr. Davies wrote, which reads:

We had a most surprising success in our mission, which, notwithstanding the languor of my nature, I cannot review without passionate emotions. From the best information of our friends and our own observations on our arrival here, we could not raise our hopes beyond three hundred pounds, but we have already gotten about twelve hundred pounds. Our friends in America cannot hear the news with the same surprise as they do not know the difficulties we have had to encounter, but to me it appears the most signal interposition of Providence I ever saw.

This was the method of the former days. Today it is not unusual for any of our men to receive subscriptions amounting to over \$5,000 a day. One subscription alone in a campaign which is now being conducted amounted to over \$750,000 and an old college in North Carolina, which a few years ago was aided by the successful culmination of a campaign for a million dollars, was the recipient of more than two million dollars from a single contributor.

Davies and Tennent and Alexander have laid the foundations and more and more as the people are confronted with the value and need of Christian education will they respond with increasingly larger contributions for the endowment of their own institutions. It is not uncommon for a new institution just entering the field of education to desire to launch out for a million dollars. It believes that it must have at least this amount in order to make any impression upon its age, yet I am thinking today of an institution which is over a hundred and fifty years of age which has never had more than \$150,000 endowment which has produced some of the greatest leaders America ever had. But we are living in an age of faster things. Commercial organizations have sprung up over night to raise the money so desperately needed to meet the competition. In many instances they have been successful, always, however, demanding a large guarantee to secure them against personal loss.

They have got the money, but often it has been like the whirlwind. The field has been uprooted, the crops destroyed, confidence gone and the people discouraged. For a Christian institution a campaign, in order to be successful, must have a Christian foundation. Spiritual things must be spiritually discerned. It is not fair that only a few men and women of large means shall support the Christian colleges. The colleges belong to the church. Every member of the church should be made to feel his responsibility to an institution of learning which, if it is properly functioning, is doing more for the advancement of the Kingdom of our Lord than any other agency on earth. To bring to him a sense of this responsibility, a spiritual organization must be developed. It is a large task requiring men of wide vision.

After the organization has been developed it is necessary to secure the proper ecclesiastical approval for the movement.

THE SYNOD

(1) The Committee on Education of the Synod shall present the report of its investigating committee with its recommendations and resolutions to the Synod at its earliest meeting.

(2) The Synod's approval and endorsement should be obtained before the campaign is officially launched.

(3) The Synod should approve the amount of the goal and its distribution.

(4) The Synod should commission its Committee on Education to select a campaign committee of fifty members—the chairman, vice-chairman, treasurer, and two additional members to compose the executive committee.

(5) The Synod should authorize its Committee on Education to employ an advance publicity man who will prepare the field, arranging for his salary as well

as the expense of the promotion campaign. The duties of this publicity man will be—

- (a) To gather a mailing list.
- (b) To cultivate special prospects.
- (c) Through direct and indirect publicity to inform the Synod concerning the value of its institutions to the church and the state, thus preparing the way for the financial campaign.

The publicity man is to work under the direction of the campaign director.

Because the church will be asked to subscribe a certain amount of money, and as the church is only slightly familiar with the work which the participating institutions have done and are doing, this preliminary campaign shall emphasize promotion and publicity, so that in the future other campaigns may be conducted in a field well sown and cultivated.

THE INSTITUTIONS

(1) The money necessary to conduct the campaign shall be provided by the institutions to be benefited in proportion to the total percentage of the campaign apportioned to each institution. This money shall be placed in the hands of the treasurer as needed.

(2) The first money received in the campaign shall be used to reimburse the various institutions and agencies which have advanced money to promote the campaign. Distribution of the money on hand will be made according to the percentage allotted to each institution. No distribution of money shall be made until all expenses of the campaign have been met.

(3) The campaign shall be for equipment, endowment and scholarships, each institution determining what amount of its percentage shall go to each, within the limitations determined.

(4) The college presidents shall hold themselves in readiness to meet every request of the campaign director.

(5) Any of the college presidents will be at liberty to go outside of the state for securing designated funds on their own expense.

(6) College presidents shall promote the campaign in every possible way by cultivating friends and alumni and acquainting them with the aims and progress of the movement. They shall also assume the responsibility of organizing the alumni of their respective institutions for the fullest co-operation in the campaign.

EXECUTIVE COMMITTEE

(1) Being duly commissioned by the Synod, the Committee on Education should select the Campaign Executive Committee, bearing in mind that it is advisable that members of this committee live within reach of each other.

(a) *The Chairman.* The chairman should be one of the most influential men in the bounds of the Synod. He should not be a college president, nor directly connected with any of the participating institutions. His office is advisory. The campaign chairman is in no sense to be the manager of the campaign.

(b) *The Treasurer.* The treasurer should be one of the most outstanding business men in the bounds of the Synod, his name alone being a guarantee that, in its financial plans, the campaign will be properly conducted. He shall employ a competent auditor who shall submit a written monthly report to the Promotion Department and the Campaign Committee. He shall employ such clerical assistance as may be necessary to carry on his work. The expense connected

with the treasurer's office shall be borne by the Campaign Committee. The treasurer of the campaign shall send to the Board of Christian Education the salaries of the field men bi-monthly in advance.

(2) The Executive Committee shall meet as soon as possible after its appointment to devise ways and means of financing the campaign. An estimated budget for the preliminary expense of the campaign shall be made immediately after the organization has been completed.

THE CAMPAIGN DIRECTOR

(1) The field representatives of the Promotion Department of the Board of Christian Education shall conduct the campaign under the direct supervision of the campaign director.

(2) The management of the campaign shall be entirely in the hands of the campaign director.

THE FOLLOW-UP

(1) At the completion of the campaign it will be necessary for the local committee to employ a man to "follow-up." This man shall be thoroughly familiar with the Synod and its institutions, and his duty shall be to call upon all of those prospects whom the field representatives for various reasons have been unable to see:

(a) Those who have not subscribed over a period of years, yet will make an annual subscription.

(b) Those who were not prepared to subscribe at the time of the first visit.

(c) Those away from home.

(d) Those especially interested in the cause of Christian education who should be cultivated.

(e) He shall revise the mailing list, eliminating such persons as the campaign has revealed to be dead,

or no longer residents, or those who for various other reasons should be eliminated.

A complete record having been kept of each visit made by the field representatives of the Promotion Department, the work done by the "follow-up" man will more than reimburse the committee for his salary and expenses and will keep the fire burning where once it has been kindled.

GENERAL

(1) The campaign shall be considered launched as soon as the representatives of the colleges agree with the Committee on Education and the Board of Christian Education on the plan to be presented to the Synod. From that moment all monies received in cash and subscriptions from whatever source, except regular church benevolences, shall be credited to the campaign goal as part of the share of the particular college receiving such cash subscriptions.

(2) There shall be no distinction made between the Presbyterian and non-Presbyterian money. All undesignated money shall be distributed to the participating institutions according to the percentage allotted to each, and shall count as part of the institution's share of its allotment. All designated money shall go to the institution for which it is designated.

(3) It is agreed that during the period of this campaign no other campaign be engaged in by any of the participating institutions.

SUBSCRIPTION CARD

We have found that a simple subscription card, about two and a half by five inches, is better than a card that looks like a bank note. It is more easily carried and can be more easily filed. It has less of the forbidding look than the blank paper. On one

side of it the names of the co-operating institutions should be printed with the following as a suggested pledge:

In consideration of other subscriptions for the same purpose, I promise to pay to Mr. the sum of \$..... to be paid as indicated on the reverse side of this card, to be divided according to Synod's apportionment unless otherwise indicated on the reverse side hereof.

There should then be a place for the name, address and church affiliation. On the opposite side of the card should be inserted the time for the first, second, third and fourth payments, and a blank with an added place for special designation. This is inserted for the convenience of those who do not wish to subscribe to the whole fund but wish to make their total subscription to one particular institution. The information which is secured on the subscription card is made in duplicate upon the prospect card. The prospect cards are sent to headquarters. The pledge cards with a list of subscriptions from a particular church are sent to the campaign treasurer.

WHY WE USE SO MANY MINISTERS IN OUR ORGANIZATION

(a) The minister is giving his life for the extension of the Kingdom. Christian education is a means to that end. He is, therefore, continuing his lifework by promoting the interests of the educational institutions of the church.

(b) Much has been said about the laziness of the minister. The fact is that the minister works harder and longer and with finer spirit than the average layman whom we have had in the organizations. Then, too, the minister is not always looking for a raise, while the layman is usually on the lookout for every opportunity that will increase his income.

(c) The minister knows the ecclesiastical language of the denomination and can talk to the key man (the pastor of the church) in language which he can understand.

(d) The minister, because of his friendships formed in the church, seminary, through the church papers and the church reports, is the logical man to deal with the pastor.

(e) The minister, knowing the mind of the pastor, can assist in solving the problems of the home and the church.

(f) The minister is accustomed to self-denial and sacrifice, but something more is needed to keep up the morale of the organization in times of discouragement and depression—that is consecration. We find that the minister is more consecrated to his task than is the average layman (there have been some glorious exceptions).

(g) The minister through the medium of his pulpit presentation of the Gospel is virtually a salesman for the Kingdom of God. He is constantly selling Christianity to the world. The art of raising money requires salesmanship of the highest order. In the business world a sale is consummated when the buyer has received something tangible in exchange for his money. The salesmen for Christian education are required to sell an intangible, invisible, idealized something in return for silver and gold.

For the pulpit presentation, especially in the larger churches, we have sometimes been requested to secure an outstanding and a nationally-known speaker to present the subject of Christian education, the local church authorities being under the impression that, while the average man is good enough for some other church, their own should require special treatment. May I say that, so far as I know, the cause of Chris-

tian education has never been presented by any outsider, regardless of his name or fame, with anything like the results which have obtained when our own men have taken the pulpit. Being constantly on the firing line, an emphasis upon certain phases of Christian education may be given which is entirely missed by another.

No solicitation for funds is ever made from the pulpit. No cards are ever distributed throughout the congregation, nor at the close of the service. We find it is sometimes wise not to mention the names of any of the participating institutions. Sometimes an appeal for the surrendered life, or stewardship, or the missionary appeal, or the general theme of Christian education is made.

(a) Having a complete survey, names and addresses properly listed and card indexed, placed on the addressograph, the canvass for funds is ready to begin.

(b) Conferences for the group at work in a particular district are held every morning. These periods of devotion lasting from fifteen to thirty minutes, are vital to the success of the work.

(c) Men alternate in superintending the canvassing in various churches.

(d) A complete report of work done is made every day indicating the number of calls, interviews, subscriptions received and total amount.

Campaigns for our purpose may be divided into three parts:

(1) Synodical campaigns for one or more institutions under the direction of the Synods.

(2) City campaigns under the same leadership but requiring a different kind of organization and program.

(3) Campaigns in the local college town.

During the last three years our department has conducted eleven campaigns for twenty-seven institutions. In addition to these campaigns our department has furnished men to assist six colleges in emergency campaigns.

The most inexpensive campaigns are those of class 3—the college town. Nine of these campaigns have been conducted in which a total of over \$900,000 has been realized at an average cost of $2\frac{1}{2}$ per cent. Local enthusiasm and pride are responsible for the low cost. Then, too, every citizen, regardless of church affiliation, is canvassed.

The city campaign comes next, not because of the comparatively larger wealth of its constituency, but because of the closer residential proximity of the church members. The moment the country section is canvassed the cost rises. This is due to the distances between points, the lethargy of the people, bad roads, few interviews a day, the conservatism of the small town and farmer, together with local agricultural conditions. If we were simply raising money the easiest and most inexpensive way we would confine our field of endeavor to the local college town, or to the cities. If we were in the field to make a record, our efforts would end there. The question that every college must face is: Is it worth while to cultivate the country? Is it worth while to make friends for the Christian college in the territory miles away? In the desperate struggle for funds the college authorities are beginning to realize that they must widen and enlarge their circle of friends and, where formerly a few wealthy men of the community took care of the annual deficit, it will now require hundreds of sympathetic friends to shoulder the burden, and this is as it should be for the colleges belong to them, and as members of a Christian organization they have a responsibility which cannot be placed upon the shoulders

of others. Then, too, because of the increasing costs of education, the few wealthy friends are rebelling and some have entirely withdrawn from institutions which they have supported for years. Our task is not merely to raise money in the easiest fields, but to cultivate new territory and raise up new friends. This takes time and time is money. The question is, is it worth while? Therefore, in estimating the cost of a campaign the nature of the work must be considered.

WHAT WE CANNOT DO

(1) We cannot remake the colleges to suit the taste of every preacher and his people.

(2) We cannot open the churches that are closed to the appeal for Christian education.

(3) We cannot use a machine gun or a poison gas attack to compel people to contribute.

(4) We cannot add up six thousand subscriptions of ten dollars each and make them total one million dollars. We are often expected to.

(5) We cannot secure one million dollars among thirty thousand people unless we get some "big money."

(6) We cannot guarantee that anyone will subscribe anything.

(7) We cannot get men qualified to do this, what some have called the "hardest work in the world," to leave their families for months at a time on less than \$250 a month. Some are getting less than that. We cannot feed and house such men at \$20 a week. We have done it.

WHAT WE CAN DO

(1) We can make the facts known by letters and other publicity, and follow up with personal interviews.

(2) We can preach, pray and plead for Christian education.

(3) We can do this particular thing as no commercial organization in the field for profit can do it.

(4) We can do this better and cheaper.

(5) We can present to the church a working program whereby the church will be brought to realize her responsibility to her young men and young women.

(1) The campaigns as conducted by our Field Promotion Department are Evangelical, since they are conducted under the properly constituted authorities of the church.

(2) They are Evangelistic for, through the means of prayer groups and the personal contact with consecrated men, men are drawn closer to God the Father.

(3) They are Educational not only because the educational institutions benefit from the campaign but because the whole church is educated as to the value of its institutions of learning and their place in the program of the church, the ideals of stewardship and every phase of the work of the church, Home Missions and Foreign Missions, as related to Christian education.

(4) We are not in the field for profit.

(5) We are not simply raising money.

(6) We are engaged in a Christian enterprise for the spiritual supremacy of Jesus Christ in all the world, so that the "knowledge of the glory of the Lord shall cover the earth as the waters cover the sea."

CHAPTER VI

THE INVESTMENT OF PERMANENT FUNDS OF CHRISTIAN ORGANIZATIONS.

BY LEWIS B. FRANKLIN

*Treasurer, Domestic and Foreign Missionary Society of the
Protestant Episcopal Church in the United States of America
Former Vice-President, Guaranty Trust Company, New York*

I. CHARACTER OF SECURITIES

Under this topic we are discussing only the question of *safety* of investments.

There are several general considerations to be kept in mind, namely:

(1) Permanency of funds. The work to which the income from these funds is to be devoted is, humanly speaking, a permanent work.

(2) Sacredness of purpose. The income from these funds is to be used for God's special work.

(3) Breadth of field, givers and workers, beneficiaries. Thousands of living givers, thousands of workers and thousands of beneficiaries are interested in the maintenance of the integrity of these funds.

Because of these facts, the chief consideration in making investments should be—

Safety of Principal—Never should a desire for large interest return lead any board or committee into making an investment which in their judgment is not thoroughly sound. No increase in interest for a few years can compensate for a loss of principal with its consequent effect on the amount of interest received for all future time. The trustees are trustees not for man but for God and their responsibility is a solemn

one. Any loss in principal will also have a disastrous effect on pending bequests and on the enthusiasm of givers.

How Is Safety of Principal to Be Assured?—There is no such thing as absolute safety in any investment; it is all a question of degree of risk and, as a general rule, the higher the return the greater the risk.

While, as stated previously, safety of principal is the most important consideration, a trustee would be false to his trust if he turned the funds in his care into gold and placed them in a safe deposit box. Likewise he is not a good trustee if he allows fear of personal criticism to induce him to vote only for investments giving a minimum return. The trustee is charged with the duty of *using* the funds so as to bring an adequate return and yet any such use involves some risk.

II. SINGLE OR DISTRIBUTED RESPONSIBILITY

What Safeguards Shall Be Used So As to Minimize This Risk?—The most important safeguard in selecting investments is that responsibility for such selection should rest upon a duly constituted committee or board and not upon any one person. Such a committee should exercise great care in delegating its power and should never delegate such power to one person.

In the second place, the general character of securities to be purchased by the trustees should be governed by a carefully-framed code of investment incorporated in the by-laws of the corporation owning the funds.

It may be argued that the unrestricted judgment of one or more men in the making of investments will produce a better income than their judgment restricted by a code. This may be true, but it is also true that the unrestricted judgment of these same

men may result in the loss of a large part of the fund. It is also true that these men of sound judgment may grow old and incompetent or may be succeeded by men of less wisdom. A standard code of investment insures to a large degree against mistakes or bad judgment of individuals or small groups.

In addition to these safeguards, the committee should, of course, exercise proper care so as to insure that whatever risk exists is well distributed. It is never wise in the investment of a large fund to place an overwhelming proportion of it in any one kind of business, no matter how good that business may be when the investment is made.

Character of Securities—The conservative board will perhaps adopt as its code of investments the law of one of the states governing the investments of trustees and mutual savings banks. Another board will deem the restrictions of such a law too severe. The point I want to emphasize is that the time to determine upon what *kind* of investments to make is when *no particular* investment is under consideration. The question should be decided by the adoption of a general policy in advance of the consideration of any particular investment.

One class of investment which, in my judgment, should never be approved consists of loans to institutions affiliated with the body owning the endowment fund. Such loans are readily excused upon the ground of the good they do for the common cause but, on the other hand, there is nothing more unreliable as an investment. Seizure of property because of a default in interest or principal is almost impossible because of the damage to the common cause which would thereby result, and for this very reason a default is far more likely to occur than where the loan is held by an uninterested party.

III. CUSTODY OF SECURITIES—LOCAL OR CENTRAL BOARD

The answer here depends on where final responsibility rests. Is the local board organized as an independent body or is it a branch of or auxiliary to the central board? Is the local board incorporated? Right practice would seem to dictate that funds be held only by the organization finally responsible for their integrity.

IV. INDIVIDUAL OR CORPORATE RESPONSIBILITY FOR THE SAFEKEEPING OF SECURITIES

The question of custody of securities is of no less importance than the question of character of investment, but it is far easier to answer. The writer is of the opinion that there is only one answer. Most of us have painful recollections of cases of misuse of trust funds by trustees who had the fund in their sole possession and it is unnecessary to bring new cases before you. Every such case, in addition to the financial loss, carries its toll of dishonor and family disgrace.

What right has a church organization to place such temptation before any man? There should be an invariable rule that every trust fund belonging to a church organization, whether national or local, should be deposited with a bank or trust company (not a safe deposit company) and withdrawn only on order signed by not less than two trustees. Under such conditions the responsibility for the physical safety of the securities rests with the banking institutions.

CHAPTER VII

ETHICS INVOLVED IN INVESTMENTS ADMINISTERED BY RELIGIOUS ORGANIZATIONS

BY CHARLES N. LATHROP

*Executive Secretary, Department of Christian Social Service,
National Council, Protestant Episcopal Church, New York*

A friend of mine, when I told him about the subject that I am undertaking to discuss, told me a story of a friend of his, a lady, who felt it was wrong to receive more than 4 per cent interest on her investments. Consequently she put all her money in the savings bank and received the interest that she thought was just. My friend asked her what interest she thought the savings bank must get in order to pay 4 per cent. She admitted that the question had never occurred to her and was much disturbed to realize that for her to get the 4 per cent the bank had to get 5 or possibly even a larger percentage of interest. When I begin to think about the ethical responsibilities for investments, I find I am much like the lady, continually getting into deeper ramifications unless I am willing to stop with the savings bank interest and look no further.

The problem was suggested to me by a letter from a young man, who inherited a small fortune and who asked in what business enterprises "could one invest money where it would be primarily used for production through Christian methods and relations, or those which approach what might be considered relatively Christian." In an effort to answer this question I wrote to twelve of the investment companies of New York City through which the Episcopal

Church makes its investments, enclosing a copy of the letter and asking them for suggestions as to the answer I should make to it. I have a most interesting collection of replies but no very definite answer.

The experience brought home to me the importance of the question this young man raises. It has also shown me how little has been done to work out any practical method by which an investor can judge the ethical soundness of an investment.

It seems to me that the responsibility of the Christian church differs in no fundamental way from the responsibility of individual Christians. The only reason why its responsibility is stressed is because in its position as teacher and moral leader it has a specific duty to stand clearly for the principles of Christianity in society as they are laid down by the church. Local treasurers as well as national treasurers have the same responsibility. Must not all investments made by the church carry out the principles publicly and formally promulgated by the authoritative body of the church? Can we expect any member of the church to pay attention to and guide his life by any statements of authoritative bodies unless the authority in the action it is called on to make itself applies its own rules?

We come then to ask ourselves what principles are laid down by our communions which have application to investment. I turn first of all to my own church because I am more familiar with its formal statements. I find in the last meeting of our General Convention in 1922 the following resolutions formally adopted by the Convention:

Human rights must take precedence of property rights. Therefore a minimum subsistence wage, and, if possible, a comfort and saving wage, must be the first charge on the industry, and the public as well as employers must be willing to pay respectively their proportionate shares of this charge.

Again—

The worker who invests his life and that of his family in industry must have, along with the capitalist who invests his money, some voice in the control of the industry which determines the conditions of his working and living. There must be established a sane and reasonable measure of democracy in industry. The worker of today is rightly seeking self-expression and self-determination in industry, as well as a livelihood from industry.

The further statement is made that labor, as well as capital, has a right to effective organization.

We turn now to the social ideals of the churches as passed by the Federal Council of the Churches of Christ in America in 1919. This demands "a living wage as a minimum in every industry and for the highest wage that each industry can afford," "gradual and reasonable reduction of hours of labor to the lowest practicable point, and for that degree of leisure for all which is a condition of the highest human life." Unemployment insurance and old age pensions are also laid down as labor conditions for which the churches "stand." There are forty-two "Social Creeds" of religious bodies in the United States which contain statements of similar import.

My conclusion, then, is that the same power which organizes the National Council in the Episcopal Church gives a mandate to this Council as well as to the members of the church to do its utmost to carry out the principles enunciated in the resolutions quoted above. The same thing applies to the Federal Council of Churches and to the thirty-nine other religious bodies.

We come then to the next question: How can we apply these principles? We have to consider the conditions under which our investments are made.

By our Canon the National Council of the Episcopal Church "shall be the sole custodian of all the

records and property, both real and personal, thereof, including all income therefrom and shall have power to disburse the money of said society in accordance with the provisions of this Canon and the orders and budgets adopted or approved by the General Convention." Under this authority the National Council has constituted a Committee on Trust Funds which "shall receive and hold all trust funds" of the church and shall have supervision of the investment and reinvestment of all such trust funds. The investments are limited by strict provisions of its by-laws. The limitations are directed toward safety in investments, with a certainty of regular income. I take it for granted that many other religious bodies use much the same limitations in order to safeguard their investments. We must recognize this obligation of safety as a first duty. The trustees for such funds must, to fulfil their duty, make safe investments that bring a proper income. This is what they are expected to do by the donors. This is the primary obligation for which the committee is created. It can never be overlooked without failure of duty. All these rules, however, apply only to financial aspects of investment, and have no suggestion of ethical considerations.

So I come to the next question: How can they give attention to the moral obligations that rest upon them as official representatives for a Christian religious organization? We turn for a moment to think what aspects of investments we would have to consider if we were to introduce specific ethical questions. I think there are two aspects of this question: (1) The material produced; (2) the conditions under which such material is produced.

Turning then to the first question—the material produced. Is not the Christian investor under obligation to choose rather to invest his money in that material or production of industry that will give the

greatest gain possible to the community? Let me take a list of possible productions:

Patent medicine	Lumber
Tooth paste	Steel
Chewing gum	Railroads
Cosmetics	Public utilities
Candy	Metals
Rolls Royce automobiles	Building and loan associations
The Ford car	Foods

Can we not say that here is a rising importance to the community in the materials produced? For instance, steel is more important than cosmetics; the Ford is more of a necessity than the Rolls Royce; railroads contribute more to the community than does candy; foods are more essential than lumber. The first obligation then in investments is to choose a corporation that is by its production making an important contribution to the needs of the people.

Next is the ethical responsibility to study the conditions under which such material is produced. Here we come immediately to the mandates laid down by the authoritative body of our religious organization.

First, labor conditions. The Episcopal Church says very definitely that "human rights must take precedence of property rights," that, therefore, there must be a living wage given to the laborers in the industry. Furthermore, under labor conditions "the worker . . . must have . . . some voice in the control of the industry which determines the conditions of his working and living. There must be established a sane and reasonable measure of democracy in industry." The Federal Council speaks of hours of labor and both the Episcopal Church and the Federal Council recognize the right of men to organize in unions. Furthermore the Federal Council stands for unemployment insurance and old age pensions.

The question that I want to raise is this: Have not our finance committees an obligation to find out about the facts as to wages as they do about the financial soundness of the investment?

For instance, the Baltimore & Ohio Railroad is developing a most interesting plan in labor conditions. The Pennsylvania Railroad is developing quite a differently interesting one. The Committee on Trust Funds ought to know or ought to have someone who knows to whom they can refer such a matter. They ought to be in a position to make up their minds as to these possibilities as they make up their minds as to the financial soundness of these companies. Furthermore, there is the demand from the General Convention that our industrial corporations take steps to bring about the democratization of labor. The committee has an ethical obligation under mandate from the General Convention either itself to be on its toes, fully conversant with these subjects, or else to have some responsible authority to whom it can refer these questions with assurance that it will get a report as sound as the report it may get from its bankers about the financial stability of its investments.

We realize that we are undertaking to settle some extremely complicated questions. They demand the study of men technically prepared. The answer is at best by no means simple. Can we work out a scheme by which this knowledge can be obtained?

A "white list" has been suggested. Immediately one sees the impossibility of such a list. First of all, conditions in a corporation change continually. Because a corporation had fair labor conditions yesterday is no guarantee that it will have fair labor conditions tomorrow. Moreover, there are such a multitude of conditions under the general heading of labor conditions that one would find a company satisfactory in some conditions and utterly unethical in

others. Again, the field is too great. It would not be fair to make out a "white list" unless one were sure that one had listed all the corporations that could properly be included. Since exclusion from it would cause money loss there would be the opportunity for damage suits through possible error. Plainly a "white list" is out of the question. We must seek another way.

The sum total of the investments that the religious bodies included in this meeting make from year to year is by no means insignificant. All these investments really constitute a great financial power. If we add to the investments of these national committees the investments of local churches the sum total will be very large. Moreover, I believe there are many Christian people who would like to follow out the commands of their church and the demands of their own consciences. In the complicated conditions of modern industry they are unable themselves to know the ins and outs of the policies of the corporations in which they invest. Why not set up a committee of technical experts whose business it will be to investigate on request any corporation in order to be able to report facts about the ethical soundness of the corporation's activities? For instance, if my Church wishes to invest in the securities of a certain corporation there ought to be the possibility for a report on the conditions of the corporation from the moral point of view both as to the contribution it is making to the world through its production and as to the conditions under which that production is created. I believe this ethical demand is being felt by foundations, colleges and other institutions that have large endowments. A bureau of men of national standing in the study of labor problems, etc., would command the confidence of all these institutions.

I suggest then that there is a moral responsibility for the finance committees of religious bodies of our country to consider carefully their responsibility under mandate from their authoritative body to invest the moneys of the church in businesses that will stand moral scrutiny, particularly along the lines laid down by that authoritative body. It is manifestly too heavy a burden to lay upon a treasurer or his finance committee to investigate satisfactorily these questions. They have an obligation, however, to plan out a means by which they can gain this information. Just as they have the investment companies to report to them on the financial soundness of investments, so they need to have a proper authority from whom they can get a report, in which they can place confidence, on the ethical conditions of the corporations, and they ought to be sufficiently familiar with the ethical demands of their authoritative body to understand the problem and to be able to weigh the cogency of such a report. They need to refer the corporation in which they are considering investment to their ethical organization for an ethical judgment just as they refer to their financial advisers for judgment of the financial soundness.

CHAPTER VIII

LEGISLATION AFFECTING THE RECEIPT AND ADMINISTRATION OF FUNDS FOR BENEVOLENT OBJECTS—IN PROBATING ESTATES—IN ACCOUNTING FOR FUNDS—TAXATION.

BY WILLIAM O. GANTZ

Counsel, Board of Foreign Missions, Methodist Episcopal Church, New York

In discussing this topic assigned, we must bear in mind one of President Coolidge's terse sayings:

There is no way by which we can substitute the authority of law for the virtue of man.

But if this should lead us not to attempt any legislative program, we might profitably recall a remark of Dr. Parkhurst:

The wicked flee when no man pursueth, but he makes much better time when somebody is after him.

If we accept as true the statement of the President that "We cannot depend on government to do the work of religion," we may nevertheless urge that there is a well-rounded social system in which "the authority of the law" may properly supplement, conserve and administer the material results of the "virtue of man."

Various interpretations of the subject of the hour might be undertaken. The writer has chosen only a little of what the topic comprehends.

Concerning those difficulties which grow out of the incidents connected with the *making* of wills—that is, due execution, the proper naming of the corporate or

other beneficiary, the hedging about of testamentary gifts with the provisions as to incorporation, the limitations upon trust provisions, etc., etc., the writer has no present authority for discussion. The subject assigned relates itself rather to the legislation which may be deemed necessary in connection with the administration of estates given by *valid* wills, validly conceived and executed.

This will not be a history of the legislation referred to nor yet an excursion into the realms of the ideal, but rather a very limited consideration of four practical topics which might profitably be the subject of uniform laws throughout the United States, and some suggestions of the evils which exist, the bulwarks behind which they are entrenched, some of the reasons for a change and how it may be brought about.

The topics so considered, going from the simple to the more complex, are—

- I. Notice to legatees.
- II. Percentages of estates to charity.
- III. Time elapsing after will is made, before testator's death.
- IV. Inheritance taxation.

It would be interesting to know the total charitable and benevolent giving in the United States of America, for any stated period, and such statistics might be gathered.

It would also be interesting to know what amount of the total giving is by or through wills, and such statistics could be easily gathered.

But it would be much more interesting to know how much *intended* charitable and benevolent giving, after having been attempted by wills, has been interfered with, frustrated and made of no avail by some course of events over which neither the intending giver nor the beneficiary has immediate control.

I. AS TO NOTICE TO LEGATEES

Many estates have been totally lost to charitable beneficiaries because of having no *information* as to the executed will.

New York leads the states in the statutory requirements as to notice, which is, after all, very simple—namely, that either before or immediately after probate, a notice must be sent to *all* legatees and proof filed that that has been done.

Notice is required in Illinois and a few other states, but in most states a will may be offered for probate without any requirement that those who are seeking probate of the will must give personal notice or mail notice to legatees.

In some states notice of probate is required to be published in a local paper, and in a few notice must be sent by mail. There would seem to be no reason, except possibly the slight expense involved, and the difficulty of finding the addresses of some of the corporate bodies, which are mentioned as legatees; why such notice should not be given personally, or by mail, to all legatees. When it is stated that in thirty-three states no notice is required, the importance of the legislation is apparent, especially when one surveys the actual risks involved.

An illustration or two from actual experience will serve to indicate the importance of the subject:

(1) B. died in Iowa, leaving a large estate, a portion of the residue of which was given to a New York charitable corporation. The will was probated, the executors entered upon their duty; strife among the legatees developed, and the estate holdings, consisting of stock in the testator's corporation, timber lands and other items of uncertain value, were almost entirely dissipated—all without the knowledge of anyone connected with the New York Mission Board; and its rights in the estate were only discovered accidentally, as the result of correspondence with one of the lawyers interested, in regard to a totally different matter.

2. W. died in the state of Michigan. His will was probated, giving a large portion of his estate to the two Mission Boards of his Church. The executor was not friendly to the charities, proceedings were begun for the sale of the property, at a low figure to relatives, entirely without the knowledge of either Mission Board and were well under way when discovered by a friend who advised the Boards. A telegram to a firm of lawyers and immediate injunction from the court saved the legacies.

Among the risks to be partly minimized by notice are:

(1) Actual dishonesty of the legal representatives, resulting in embezzlement of portions of the estate.

(2) Connivance by the executor with the natural objects of the testator's bounty, dissipating or secreting assets, or allowing spurious claims.

(3) Sales of property to interested parties or friends for less than actual value, thereby cutting off residuary legatees in which class charitable corporations frequently are found.

(4) Lack of attention to the necessary details to conserve or increase the property, or actual waste of assets, benefiting no one, including careless handling and loss of property without bad intent.

(5) Failure to pursue an aggressive policy in collecting and realizing upon doubtful assets. Failure to account and pay over moneys, the executor not being under bond.

(6) Successful attacks upon the will itself. (We may as well face the fact that the natural thing is for an executor to favor the kinfolks of the testator, and to give or pay to charity only what *must* be paid.)

As a general proposition, of course, executors are honest and it frequently happens that someone who is interested in the result which the testator wished to achieve will give the necessary notice, but the situation would be greatly improved if notice for applica-

tion for probate were *required* to be given, so that the matter could be followed up by the legatee.

No matter what the personal views of the legislator, a square deal requires that notice be given and no serious difficulties should be encountered in getting this legislation passed once it goes to the legislatures of the various states through the proper channels.

A proposed uniform law requiring notice to be given, either before or immediately after probate, has been presented to the Committee on Plan and Scope, of the American Bar Association, accepted by that committee in principle, but unfortunately not presented to or adopted by the Commission on Uniform Laws.

II. AS TO PERCENTAGE OF GIFTS TO CHARITY

This presents a more complex situation.

Many men are charitable in a vicarious sort of way.

New York limits a gift to charity to one-half of the estate, if the testator leaves surviving spouse, parent or child.

California limits to one-third of the estate, under similar conditions, as do many other states.

Iowa limits to one-fourth of the total estate, and Mississippi forbids charitable devises¹ altogether; and forbids charitable bequests² to religious bodies, although not to *charity* as such.

The following illustration will show one phase of the question involved:

K., a resident of California, was desirous that his property should go to his two Mission Boards. He could not give it directly, so he made his will giving one-half to the secretary of one Mission Board and the other half to the secretary of the other Board. He sought an agreement signed by the

¹ i. e. gifts of lands or money from sale of bonds.

² i. e. gifts of personal property.

foreign secretary obligating the secretary, as legatee, to use what he received for foreign missions. The writer was consulted, and advised that not only was the practice unethical, but, if discovered, would probably defeat the purpose of the testator. The testator's counsel was greatly grieved thereby, and urged that the secretary of the other Board had signed the proposed agreement without hesitation.

Investigation leads to the belief that this practice is very common in California, the testator relying, however, upon the faithfulness of the legatee in devoting the money bequeathed for the purposes to which the testator could not give it, without evading the law.

(1) Reasons for the present laws:

(a) Fear that the natural objects of the testator's bounty may not be provided for, and thereafter become public charges.

(b) Fear that charitable or benevolent corporations may become, because of size and extended resources, a real menace. (Witness the limitations of real property holdings.)

(c) Direct opposition to the spread of religious teachings of one kind or another.

(d) A selfish tendency to hold property within family relationships. Next of kin can vote; charities cannot.

(2) Reasons for advocating a change of policy:

(a) The present restrictive laws are unfair to the testator in the exercise of that freedom to do as he wills with that which he has accumulated.

(b) The provisions of the statute are not effective in accomplishing the purposes which the statute contemplates.

(c) The inhibitions in the statutes are overcome and negated, but only by subterfuges and unworthy practices, which they foster and encourage.

(d) The laws frequently defeat charitable bequests without any benefit to the natural objects of the

testator's bounty, and promote discord, litigation and waste.

(3) Suggested statute to cover the case:

Great care must be exercised in working out a form of statutory enactment, not only to protect the charity, but also to protect those who are the legitimate objects of the testator's bounty. If some such enactment as the following could be secured, much would be accomplished:

If it shall appear that any testator has, by the provisions of his will, given more than one-half of his estate to charity and has left him surviving any spouse, child or parent without the means of remaining or becoming a self-supporting member of society, or in danger of becoming a public charge, then such bequest or devise to charity which shall exceed the amount of one-half of the estate (where the testator shall have left an estate less than \$10,000) or shall not leave available such sum as may be necessary to furnish support for a reasonable time, or if the said spouse, child or parent is otherwise incapable of earning a living, then for the lifetime of such dependent person, shall be absolutely void; and the amount required for such support of any wife, husband, child or parent shall be a question of fact determinable by judge or jury, as any other disputed question of fact, upon the judicial settlement of the account of the legal representative of such estate.

The writer has intentionally avoided a discussion of those questions which root back into religious prejudices and which in some states would make it inadvisable to seek to change the present laws.

III. AS TO TIME ELAPSING AFTER WILL IS MADE

The laws in the several states are quite varied on this subject. Pennsylvania permits a bequest to charity to stand if thirty days elapse after the making of the will before the death of the testator; Ohio requires one year; some other states require other periods. A similar provision, for some time on the statute books of New York, has been repealed entirely.

An illustration will indicate the difficulties involved:

K. died in Pennsylvania, leaving a will which was executed but *eight* days before his death, giving large sums to Mission Boards, hospitals and other charities. This one circumstance made the will absolutely worthless, notwithstanding the fact that:

- (a) His nearest relatives were nieces and nephews;
- (b) He had made ample provision for these relatives;
- (c) There was evidence of a fixed desire upon his part to benefit these charities;
- (d) The provisions in his will were duplicates of provisions made in another will, or wills, executed years prior to his death;
- (e) His will was not made under a suggestion of immediate death—he being in excellent health at the time—but dying quite suddenly as the result of causes which could not have been foreseen.

(1) We look again for the reasons for the present laws and suggest some of them as follows:

(a) To prevent a gift to charity in the immediate presence or influence of the thought of death.

(b) To give testator time to reconsider after the will is made and modify charitable bequests, if mature consideration suggests a modification.

(c) To overcome the power of charitable impulses growing out of the immediate presence and thought of death.

(d) To prevent injustice to relatives and relieve the state from the support of indigent persons who have been disinherited.

(The foregoing may not account for the laws as we find them.)

(2) Reasons for repeal of such laws:

(a) Again they hinder the free choice of the objects of the testator's bounty.

(b) They defeat well-planned benefactions fully thought out and incorporated into a will when death follows accidentally or suddenly, although its influence was not present in the mind of the testator at the time the will was made.

(c) They turn over to relatives not benevolently inclined properties intended for charity, and impose additional burdens on the state which might be relieved through the application of the charitable bequests by the institutions named.

(d) New laws could be so planned as to be uniform and equitable in their operations and so as to safeguard most bequests for charity without hindering proper support to individuals; properly drawn statutes could be so phrased as to provide against fraud and undue influence.

(3) A form of statute which might be agreed upon.

It will readily be agreed to that much will depend upon the statutes already written and upon the reasons therefor which are lodged in the minds of the legislators or preserved in the traditions of the state and its struggles against certain forms of religious prejudices. The following proviso, if appended to a restrictive statute, would offer some relief:

Provided, however, that no gift, bequest or devise for religious, charitable, benevolent or educational purposes shall be upheld in any will made within (five) days prior to the death of the testator, if it shall appear by competent evidence that the testator when he made such gift, bequest or devise was under any undue or improper influence from any officer or member of any corporation or association which would, if the will containing such gift, bequest or devise were carried out, profit by any of the provisions of such will; and

Provided, further, that if any testator dying within (five) days of the date of his will shall have left him surviving any spouse, parent or child, all gifts to charity which shall reduce his estate applicable to such spouse, parent or child to a sum less than (\$10,000) shall be void; unless the said spouse, parent or child shall be possessed with the necessary means of becoming a self-supporting member of society; and the amount required for such spouse, parent or child shall be a question of fact determinable by judge or jury, as any other disputed question of fact, upon the judicial settlement of the account of the legal representative of such testator.

IV. AS TO TAXABLE TRANSFERS

The present law in the state of New York exempts substantially every class of charitable, religious, educational or benevolent institution duly incorporated. It is the general policy, unfortunately becoming more prevalent, to tax such institutions in all but the states of their incorporation, with a possibility that in some of the states the corporations, although not incorporated therein, may be tax exempt if they carry out some of their benevolent work within the boundaries of the state levying the tax.

The tremendous burden which these transfer taxes impose upon charity may be realized when the rates ranging from 2 per cent to 50 or 60 per cent of the bequest have been set out in detail. It is not the purpose of this paper to discuss the rates of taxation or the wisdom of a sliding scale. Manifestly not all institutions are in the same class, even when considered beyond the limits of the incorporating state, but a united effort on behalf of the charitable, educational and benevolent corporations might result in some favorable action along the lines hereinafter suggested. A consideration of the subject therefore requires:

(1) A study of the reasons for the present laws which, of course, are not hard to find:

(a) Pressure for new sources of revenue for an expanding state program.

(b) Attempts by the several states to keep charity at home.

(c) Retaliation for taxes of like character by other states.

(d) Unreasoned opposition to all benevolences.

(2) A study of the reasons why a change should be made, among which will be found:

(a) The release of charitable bequests for the universal good.

(b) An exercise of ordinary comity between the states which would require uniform exemption.

(c) To enable donors to have free choice among benevolent agencies available.

(d) To prevent unethical conduct resulting from the resort to subterfuges.

(e) The fostering of general charitable work for the wider help of humanity, which knows no state boundaries.

Some of the results of the present lack of uniform laws are disclosed in the following illustration:

A New York institution has a wealthy alumnus living in California. A California institution likewise has a wealthy alumnus living in New York. Both these graduates incorporate the same provision in their respective wills for their respective institutions of learning, each giving a bequest of \$1,000,000 which would represent in each case one-half of the estate of the donor, who leaves surviving near relatives. If the bequests were otherwise according to law, the New York institution would receive approximately \$450,000 while the California institution would receive the full \$1,000,000 as the will provides; that is, education and government in California receive \$1,222,000 and the relatives of the California testator would receive \$333,000 from the two bequests; while education and government in New York would receive but \$444,000 under what would seem to be exactly similar conditions.

Illustration No. 2:

Two members of the same church equally interested and equally benevolent, one residing in New York, the other in Missouri, prepare and execute their wills, giving \$5,000,000 each to charity. The New York resident gives his bounty to the Board of Sunday Schools, incorporated in the state of Illinois; the Missouri resident gives his bounty to the Board of Foreign Missions, incorporated in New York. The Board of Sunday Schools gets the \$5,000,000 free from tax, and spends a considerable portion of it in the state of Missouri; the Board of Foreign Missions gets but 70 per cent of its legacy of \$5,000,000 and the state of Missouri retains \$1,500,000 for tax.

Again:

A resident of New York gives \$1,000,000 to the Board of Home Missions, incorporated in Pennsylvania. A resident of Nevada gives \$1,000,000 to the Board of Foreign Missions, incorporated in New York. Nevada takes out of this gift \$250,000 for state purposes, sending forward only \$750,000 to the Board in New York, but New York takes out nothing and sends \$1,000,000 to Philadelphia for the Home Mission Board, and the Home Mission Board spends a considerable portion of this in the state of Nevada. It is easily conceivable that out of the two bequests, Nevada may get \$500,000, while New York gets nothing.

(3) Form of relief to be sought:

The New York statute having accomplished the result of exempting charitable bequests, wherever made, might properly be followed in the proposed uniform legislation.

If this cannot be done, then a special amendment to cover those cases which are otherwise difficult to reach, may be proposed. It will be necessary to consider the statute in each case, and to determine how the amendment should apply, and the proviso should be used only in those cases where its language clearly fits into the scheme of the statute; this can only be determined, of course, by a practical examination of each transfer tax law in each case. The suggested proviso is as follows:

Provided that a legacy or devise to an incorporated society or board for the educational, charitable, missionary or benevolent purposes of a religious denomination, having an organization or churches in this state, which corporation or board actually spends its available funds from such sources in the promotion of work for the moral, educational or religious advancement of the people of this, or any other state, or of any foreign country, pursuant to the direction of the church representative or executive body of such denomination and from whose operation no person except its usual classes of beneficiary, receives any emolument other than reasonable compensation for his services, shall be exempt from the tax imposed by this article.

CHAPTER IX

CANONS OF WISE PUBLIC GIVING

BY ALFRED WILLIAMS ANTHONY

*Chairman, Committee on Financial and Fiduciary Matters,
The Federal Council of the Churches of Christ in America,
New York. Former Executive Secretary, Home Missions
Council, New York*

Very little wealth accrues to an individual through his own unaided effort. Even when he digs wealth directly from the soil he must find a market, which other men furnish, or his wealth will be of little or no value to him.

Possessors of surplus wealth, either living or dying, should make some provision for the welfare of the public which, whether recognized or not, has helped them to amass their fortunes.

In practice the selection of a charitable purpose is frequently a matter of chance environment or chance sympathetic interest. While it is proper that both these circumstances should have due consideration, they alone cannot properly dictate charitable gifts.

The field for wise public benefaction is larger than any community and greater than any single class. The giver should scan the entire field of charitable purposes and the portions or classes of the human race properly calling for assistance.

I. BENEFICIARIES

(1) *Family.*—A man's first obligation is to his family. The members of his family are bone of his bone, flesh of his flesh, and exist because of him. He should make reasonable provision for their needs during periods of helplessness, and in the establishing of in-

dependent careers. This obligation includes the giving of an education, the maintenance in general of the accustomed scale of living to which he has introduced them, and an equitable continuance thereof.

Excessive wealth is injurious. A man is not justified in leaving so large a property to his children as to destroy in them incentives to industry, husbandry and thrift. Were he to do this, he would loosen their moral fibre and make them unfit as social beings for fellowship and co-operation with other people, who must toil.

In order to determine how much a man may wisely leave to wife and children, or other direct heirs, he must take into account (1) their personal condition, both mental and physical, with reference to their earning powers and prospective needs; (2) the station in life to which they have been accustomed; (3) the obligations which may rest upon them because of ties of kindred and social connections, and (4) the wise use to which they may put wealth, as stewards of a trust coming from him.

He who gives more to his children than they need, or can wisely use, may do them greater injury than if he left them nothing.

(2) *Servants and Employees.*—*A man should remember his servants and employees.* Some have grown old in service. Fidelity merits recompense and continuing care.

(3) *Neighbors and Friends.*—*Neighbors and friends should not be forgotten,* especially those who have endured privations and have little laid by in store.

(4) *Organizations.*—*Obligations rest upon a man toward organizations* with which he has been connected. Some organizations should be cared for wholly by the living; some deserve the continuing support of the dead through endowments and funds

for enlargement of equipment and increase of service. It is not a simple nor an easy task to determine which organizations should receive continuing support and how much it should be. (1) One may properly conclude that an organization with which he has been intimately connected should receive more from him than another with which he has had but casual contact; (2) that one which is needy and has but few friends should receive from him more than another which is popular and sure to command an abundance; (3) that the one which has the greatest promise of permanence and expansion should be liberally treated; (4) and sometimes he must remember that the sole opportunity which remains to him for making amends for past neglect is when making his will.

II. RESOLVING UNCERTAINTIES

(1) *Reliance on Others.*—No man's wisdom is great. It is impossible to see far ahead. *A man ought not to tie his benefactions with too rigid restrictions to apply after he is dead.* Conditions change. He should allow discretion to those who live after him to apply his benefactions in new ways to new needs under new conditions, as conditions change. People should be trusted to administer free gifts without many precise stipulations. The average of intelligence and of wisdom is greater as the years pass, and one must not suppose that all wisdom will die with him.

(2) *Manner of Use.*—When a man *knows precisely what he wishes to accomplish, he should give directly* to the persons, or the organizations, doing the thing which he wishes to benefit. An absolute gift may be (1) expended immediately, (2) invested temporarily to be spent later, or (3) permanently invested as endowment, as shall best suit the purposes and needs of the persons or corporations receiving the same.

(3) *Selecting Advisers.*—When a man is in perplexity and uncertainty as to the persons or the objects which he should assist, then he may turn to his *best advisers*. It is difficult to select advisers. Many a man has been disappointed in his advisers, after he has chosen them, when too late to change.

Good advisers are usually responsible bankers, reputable lawyers, broadminded leaders of the church, outstanding public citizens, such as every community possesses, and tested friends of long standing. But advisers may fail (1) by lack of knowledge, (2) by perversion of sympathy, (3) by intrusion of personal interests, and (4) by sheer wickedness, hitherto unsuspected.

(4) *Distribution During Life.*—*The wise course for a man to pursue is to distribute his surplus wealth while living.* First he should determine how much he should retain as his own, so long as he may live; and then he should set aside the remainder for immediate benefits to his heirs and to all of the persons and the organizations which he plans to remember, and he should make the distribution himself, while living.

The distribution of property, while the possessor is living, accomplishes these good results: (1) No will can be broken, which may defeat these purposes. (2) No adverse litigation is likely to arise to create uncertainty and to pile up costs. (3) As laws at present are, inheritance taxes do not reduce these gifts. [The taxes on gifts are of small moment. Attention should be given to laws in some states bearing on distribution "in view of death."] (4) The recipients, whether persons or organizations, come into immediate possession of their benefits and the giver has the opportunity of advising with them in their new possessions, of sharing his wishes and experience, and of discovering the wisdom of his generosity. (5) The donor then becomes a participant in a new joy which may crown his life while living.

(5) *Fixing Powers of Beneficiaries.*—Whether it is better to make direct and absolute donations, or bequests, without restrictions as to use of principal or income, and without limitations as to specific objects within a general field, may be determined in many instances by considerations such as the following: (1) Is the person or organization to be benefited fully capable of administering the fund, or funds, without qualifications and without conditions? In case of full competency, it is usually advisable to make unconditioned benefactions. (2) Will the living adequately care for the person, or the object, to be benefited? Ordinarily it is wise to develop the sense of responsibility in the living and not remove it through the substitution of posthumous benevolence. (3) Will the person or the organization in the years to come probably have greater need of what may be termed capital funds, or greater need of funds for current expenses? If for capital funds, then donations and bequests should properly take the form of investments, or funds in trust, the income only of which may be used, or, in the case of institutions, buildings and equipment, or funds in trust, the income of which only may be used. (4) It is proper to found, or create, memorials of the donor or testator himself, or of a person or persons named by him. In such cases, in order to be permanent and perpetual, the memorial must be in permanent form, such as land, buildings, books, objects of art, equipment, or funds securely invested and held as a permanent endowment, the income of which only shall be consumed. (5) It must be remembered that in most instances memorials themselves perish and may be preserved only by an endowment which will suffice for and will be used for keeping them in perpetual repair. (6) It must also be borne in mind that that which may be an appropriate memorial at one time may at a subsequent

time, when conditions have totally changed, become inappropriate, untimely, absurd and even, in extreme cases, ghastly.

III. THE CREATION OF TRUSTS

The creation of trusts requires great wisdom. Absurdities arising from inappropriate trusts are to be found in every state, in every part of the country and in every land. "The blight of the dead hand" reaches far and continues long. In order to avoid this blight and save the misdirection of short-sighted although benevolent intentions, several devices for giving discretion and power to trustees have been employed in accordance with which rigid terms no longer possible of execution, both of bequests and donations, may be modified and applied to changed conditions and to objects next akin to the original intentions.

(1) *Community Trusts*.—One of these devices is the so-called "community trust" first adopted in 1914 in Cleveland, Ohio, and imitated in cities elsewhere. The community trust is an agreement and not a corporation. It provides for a local committee of prominent and trusted citizens, properly chosen, to change the benefits of trust funds from dead and useless objects to vital needs, as changed conditions may require and as in the judgment of the committee may seem best. A community trust is usually limited, as its name implies, to the application of benefits to a specified group of secular objects within a single community, or its immediate neighborhood, or, in a few instances, within the state of which the community is a part.

In some communities donations and bequests are solicited for a common fund, undesignated as to use, the income or the principal of which may be distributed by the trustee under the direction of a commit-

tee of public citizens. The first community trust and several subsequent ones are of this nature. In such a case the donor, or testator, gives to what has been termed "the common pot," leaving all discretion of distribution to the committee. This plan keeps the fund continuously fluid and always capable of application to existing needs. When a person desires to give to secular charities and to be relieved of all responsibility of expressing a choice, or of exercising discretion within the limits of a single community, this method will satisfy his requirements.

(2) *The Uniform Trust for Public Uses.*—The "Uniform Trust for Public Uses" is also an agreement and not a corporation. It is an instrument in the form of a resolution suitable for adoption in any locality by any trust company or bank having trust powers. In effect it is a declaration of trust—an offer to accept charitable trusts and to administer them as therein provided. In that respect it resembles a community trust but it has a vastly wider scope, being capable of administering benefits which reach beyond the community and even the state, into the nation and the world. The Uniform Trust for Public Uses, therefore, has many advantages. It serves any object that any community trust can serve. It includes every class of charitable objects wherever they may be. Being the same everywhere its uniformity facilitates understanding, avoids confusion and diminishes occasions for litigation.

(3) *Specific Choices Possible.*—If a public-spirited person wishes (1) to found a charitable institution, (2) to create a permanent endowment or memorial, (3) to provide an income for one or more persons for life before his public benefaction takes effect, or (4) to leave a lump sum to be distributed for charitable purposes, he will find it desirable to employ some form of trust.

In establishing a trust the donor, or testator, has the following choices: (1) He may make a person, or several persons, trustee; but persons may become feeble with age, may lose their minds, may move away, may die. Corporations average to be more permanent, more competent, more trustworthy. (2) He may give directly to a charitable institution which he wishes to benefit, setting up in the custody of that institution a trust under terms which he specifies. If the institution is legally competent, is permanently established and is wisely administered, this is a wise course to pursue. (3) He may make a secular financial institution, a bank or a trust company his trustee. This usually secures adequate ability in finance and kindred matters, but not always acquaintance and technical sympathy with the objects to be benefited. (4) He may select a person to serve as a joint-trustee with a trust company, thereby securing the responsibility of the trust company and the intimate knowledge and sympathy possessed by the person familiar with the objects to be benefited. (5) He may avail himself of the services of a community trust. In this case he must acquaint himself with the terms of the trust agreement and be satisfied that, in case of failure of his purpose at any time, a substitution within the area within which the trustee may act would be in accordance with his wishes. (6) He may make use of the Uniform Trust for Public Uses. In this case he may be confident that his purposes may reach to any place and to any object which he may specify, or for which he may express contingent preferences, or for which his benefaction may be inferentially fitted, when explicit directions fail.

(4) *Benefiting Unincorporated Charities.*—Unlike a charitable corporation, an unincorporated charitable association, speaking generally, is not capable of taking a legacy or accepting a devise of real estate be-

cause it lacks legal identity and may lack legal continuity. While this may not be the law in some states, it is generally safer to act as though it were.

The purpose of a donor, or testator, to endow an unincorporated charity can usually be attained by means of a charitable trust. In such cases the donation, or legacy, or devise, should be made to a proper trustee, such as a trust company, or a bank having trust powers, under a trust for a suitable charitable purpose and class of indefinite beneficiaries, in which case the desired unincorporated association may be properly designated as the committee, or agency, for the distribution of available funds. For this purpose the Uniform Trust for Public Uses is also available.

(5) *Principles of Philanthropy*.—Fourteen points of philanthropy have recently been set forth in the *New York Times* by Dr. Charles F. Thwing, president emeritus of Western Reserve University, as follows:

First—To give to undertakings which the government would not be justified in supporting, or would probably not be able to support.

Second—To give under general provisions and conditions, rather than under specific commands and stipulations.

Third—To give in recognition and appreciation of the obscure, yet real, needs of the community.

Fourth—To give as a demonstration to the community that the usefulness of certain services are so great that the community shall finally assume and perform these services.

Fifth—To give in order to remove the causes of evil, and not to remove the evils themselves.

Sixth—To give in order, not simply to install the good, but more to create the causes that will nourish the good.

Seventh—To give under the advice of wise counsellors.

Eighth—To give adequately, but not too adequately.

Ninth—To give in such a way as to quicken others likewise minded to give to the same cause or to other causes.

Tenth—To give in such ways and in such amounts as to promote self-help on the part of beneficiaries.

Eleventh—To give in such forms and in such ways as to help in securing permanence to philanthropic policies.

Twelfth—To give in sums large enough and to a body numerous enough, and also small enough, to insure a sense of individual and corporate responsibility.

Thirteenth—To give in recognition of gifts already given.

Fourteenth—To give under conditions that insure supervision by legally constituted authorities.

(6) *Graphic Summary*.—The charitable and benevolent objects which a man may properly have in mind, after he has made adequate provision for his family, his kindred, his servants and employees, his selected friends and neighbors, may be discovered in the following chart, which has been prepared by Daniel S. Remsen of the New York Bar.

CHART FOR THE SELECTION OF CHARITABLE PURPOSES

A GIFT FOR PUBLIC USE MAY BE TO PROMOTE

a	education	or a	primary, higher, professional, manual, etc., education	for the benefit of a	children, students, youth, etc.	through a	schools, scholarships, buildings, etc.	home
	religion		Jewish, Episcopalian, Catholic, Presbyterian, etc., religion		persons of various faiths, etc.		pensions, religious agencies, etc.	and
	relief of needy		relief from poverty, disease, accidents, etc.		aged, sick, crippled, poor, etc.		hospitals, dispensaries, homes, etc.	foreign
	health and public morals		care of children, living conditions, suppression of vice, etc.		youth, students, workers, etc.		parks, gymnasiums, lecturers, etc.	missions
General	Charitable	Particular Charitable	Purpose	Beneficiaries	Benefaction	Means of	pensions, prizes, patronage, etc.	schools, laboratories, observatories, etc.
Purpose							annuities, laboratories, funds for experiment, prizes, etc.	
such as	research	such as	medicine, biology, chemistry, etc.	such as	physicians, biologists, etc.	such as	annuities, laboratories, funds for experiment, prizes, etc.	honors, monuments, prizes, annuities, Boy Scouts, etc.
	invention		mechanics, power, aeronautics, etc.		mechanics, inventors, etc.			
	statesmanship, good government		respect for law, good citizenship, efficiency in office, etc.		statesmen, students, writers, etc.			
	etc.		etc.		etc.			

Any of the above purposes may be accomplished either by gift absolute or by a gift in trust to apply or pay over income. Which is better depends upon circumstances and the plans of the person making the gift. In any case, before deciding upon the form of the gift, the public benefactor should consider the advantages of the "Uniform Trust for Public Uses."

CHAPTER X

CO-OPERATING WITH THE BAR AND WITH BANKS

BY REYNOLDS D. BROWN

Law School, University of Pennsylvania

I have been invited to open the discussion on the topic of "Co-operating with the Bar and with Banks." I am going to take the liberty of adding "and trust companies," as it seems to me obvious that trust companies are more frequently involved in the matters to be discussed than banks—indeed, it is only under recent legislation that banks, in my judgment, play any part in the problem.

It is obvious that the precise problem is how far churches, the bar and financial institutions have some common object. The name of the committee itself suggests that the churches, the bar and the fiduciaries have a common meeting ground in certain financial and fiduciary matters. On the other hand, it is quite clear that there are many financial matters affecting banks and trust companies and many fiduciary matters affecting the bar and also banks and trust companies which do not in any wise concern the churches. The question for consideration, therefore, may be narrowed down to the question what financial and fiduciary matters churches, the bar and financial institutions have in common.

It seems worth while as a preliminary to point out how rapidly the process of organization has been going on in the churches, the bar and financial institutions. Taking first the churches, and referring particularly to the Protestant Episcopal Church, of which

the writer is a member and with whose organization he is quite familiar, while it is essentially an episcopal body (which in itself implies a certain organization), yet within the past six years very considerable steps have been taken in the direction of better organization. The national body itself has created a National Council which with its departments governs the work of the general church; most of the dioceses have created Diocesan Councils which with their departments govern the work of the dioceses, and finally many of the parishes have created Parish Councils which supervise the work of the parishes. Indeed, I may go a step further and point out that the organization of the Federal Council of the Churches of Christ in America in itself amounts to a combination of representatives of all of the Christian bodies in this country. Now it need not be said that none of these organizations has been created simply for the purpose of maintaining an additional organization; all of them have their origin in the fact that the purposes for which the parish, the diocese and the general church exist can be better accomplished by the co-ordination and harmony of action which grow out of such organizations, and the very foundation stone of the Federal Council of the Churches of Christ in America is the hope that by conference and co-operation these churches may better accomplish their common object—namely, the establishment of higher standards of efficiency in all branches of the Christian church.

Perhaps it is worthy of note in passing, however, that the Federal Council of the Churches of Christ in America is limited to *co-operation* in various forms of activity, as opposed to more direct efforts at church unity; doubtless many of the component parts of the Federal Council of the Churches of Christ in America hope for the day of church *unity*, but the founders of the Federal Council of the Churches of Christ in

America believe that while the day of church unity may be in the far distant future, there is no reason why the churches of Christ may not co-operate at the present time along certain valuable lines. Those lines seem to include two distinct kinds of topics. The first has to do with the more directly spiritual work of the churches, such as that done by comity committees in various cities, which try to minimize the danger of duplication of church work in the same neighborhood. The other line of activities of the Federal Council (with which we are more concerned at the moment) has to do with the more material side of church work. The church must have, if it is to be successful, a well-managed, business-like organization, and there are certain principles of business and finance which, therefore, apply to churches as well as secular undertakings. Evidently the business of the Committee on Financial and Fiduciary Matters, therefore, is to assist so far as it may the various churches in matters having to do with finance and trust relations.

Turning for the moment to the field of the law, it is interesting to notice how it also has much extended its organization during the past twenty years. In practically every state there is now a State Bar Association, and there is, of course, a National Bar Association whose influence is becoming more and more felt along many useful lines. Such Bar Associations naturally concern themselves with many matters of legal interest in which the churches have no special concern; to the extent, however, that most important church undertakings are the result of gifts, and that such gifts usually take the form of deeds of trust or wills, and that such deeds of trusts or wills are almost always drawn by lawyers, and that the lawyers who draw such instruments have a considerable influence with their clients with respect to the scope of the

documents, it is manifest that the bar has a common meeting ground with the churches in the matter of preparing instruments like trust deeds and wills, and that both the churches and the bar are alike interested in having the laws dealing with such documents made as simple as possible and perhaps also made uniform; the churches, of course, are further interested in endeavoring to bring about the making of additional gifts of this kind, and the bar, while not primarily interested, as members of Christian churches would, many of them, be friendly inclined towards such an end.

Turning finally to banks and trust companies, it is, of course, a matter of familiar knowledge how they also have progressed in organization in recent years. State banking associations and a national banking association have been formed, and are actively forwarding all kinds of projects in which banking institutions are interested. Naturally these projects include many in which the churches and the bar have little concern, and yet (and more important for our present purpose) manifestly the subject of charitable trusts (using the word charitable in its broadest sense) in all of its phases is one in which all fiduciary corporations have a large concern.

The foregoing summary of the recent steps taken in the organization of churches, the bar and financial institutions therefore points clearly to charitable trusts as the common meeting ground: the relation of each of the three to charitable trusts is somewhat different, the churches being principally concerned in the increase of such trusts, the bar in the proper creation of the same, and fiduciary institutions in the best execution of the same; but it may be said broadly that there seems to be no reason why all three alike should not participate in any steps that might be suggested for the betterment of charitable trusts in any direction.

As above indicated, in connection with the comment on recent organization of the bar, the natural line of treatment of charitable trusts is in the direction of uniformity and simplicity. As to uniformity, the obvious situation at the moment is that charitable trusts are practically entirely governed by the law of the state where the charity is situated, and further, that the laws of the different states vary very much in such matters. There can hardly be much difference of opinion, even in these days of reaction in favor of states' rights, as to the desirability of uniformity in such matters, and it may be of interest to call attention to some branches of the law of charitable trusts in which there are important differences in the laws of different states.

(1) Many charitable trusts are created by will. Many states, like Pennsylvania and Maryland, have statutes invalidating bequests for certain charitable purposes made less than thirty days before the testator's death. Again, certain states (*e. g.* California and New York) restrict the proportion, often allowing a maximum of one-half of a testator's estate to be given to charity. Sometimes this restriction is dependent on whether the testator has a surviving wife, child or parent (*e. g.* Georgia). Questions arise as to whether such statutes apply to charitable trusts where the trustee resides within a given state, the laws in the testator's domicile being different: different conclusions have been reached in New York and Pennsylvania.

(2) The so-called *cy pres* doctrine is familiar to all lawyers. It means, of course, that the court will carry out a testator's intention as nearly as possible, if it cannot be carried out exactly. This is recognized in this country: but it is quite different in its operation in the different states. It is broadly recognized in

New Jersey, rejected in Kentucky, and approximated in certain cases in Pennsylvania.

(3) The so-called "rule against perpetuities" is another old friend of the legal profession. It prohibits the vesting of future interests, whether created by deed or will, to a too remote period—on sound economic grounds. The application of this rule to charitable trusts is not quite clear—in some degree they are admitted to be beyond the scope of the rule, but the boundary line lacks accurate definition.

(4) A cognate matter, closely allied to the preceding, is the status of trusts for accumulation. For good reasons the law prohibits the accumulation of income, with certain recognized exceptions. The question is how far this rule should apply to charitable trusts. In England it applies broadly; in Massachusetts and Connecticut the accumulation is within the discretion of the court; in New York, Pennsylvania and a number of other states there are statutes, some (as in New York) governing perpetuities at large, others (as in Pennsylvania) restricted to accumulations alone. The variations are too numerous to refer to further.

(5) Taxation of charitable trusts raises interesting questions. Many states exempt them from local taxation. Pennsylvania is one, but at the moment a commission appointed to review the whole subject has suggested the repeal of such exemption. Just how far such exemption extends—*i. e.* to what classes of charitable trusts and to what property owned by them—is a matter of considerable difference of ruling. Again, the question as to whether inheritance taxes should be applied to gifts to charitable trusts is a matter of wide concern, and of much interest. As is well known, the federal tax exempts such gifts—so also do the laws of some states, whereas in many states (*e. g.* Pennsylvania) there is no such exemption, although at the

present moment there is a strong movement in that state to secure such exemption.

Still other matters of law might be referred to, in which the law governing charitable trusts differs from ordinary law and requires elucidation. Some states do, and some do not, hold the property of a charitable corporation liable for torts committed by its agents. Or again, many states do not consider membership in a charitable corporation as a disqualification to the member or officer acting as witness to a will making a gift to such corporation, but in Pennsylvania the opposite rule is strictly enforced. Again, a considerable difference exists in the several states as to the class of investments which are permissible in case of trust funds. Enough, however, has probably been said to suggest that there is considerable lack of uniformity in the laws on the subject. If it be thought worth while to pursue the subject further, the proper course would be to appoint a committee to draft a proposed uniform law, and to co-operate with the Committee on Uniform Laws of the American Bar Association.

CHAPTER XI

THE MAKING OF BETTER WILLS, LEGALLY DRAWN AND WISELY CONCEIVED. NECESSITY OF EDUCATION.

BY FREDERICK A. GASKINS

*Treasurer, American Board of Commissioners of Foreign
Missions, Boston*

About a year ago I was called to testify in court in one of the New England States to show that a fund given to "X" Mission in the charge of "A" and "B" belonged to the American Board. It so happened that "A" and "B" were appointed missionaries of the American Board of Commissioners for Foreign Missions and were located in the part of the world named as the mission, and the American Board happened to be the only missionary society doing work in that particular country. Therefore it was not very hard to convince the Judge of the Probate Court that the money belonged to the American Board. It so happens in that same will property was given to the "Congregational Foreign Missions Woman's Boards" and to the "Church and Parsonage Association of the West, an association for building Congregational churches and parsonages in the western part of the United States." Of course, the court ruled that the "Congregational Foreign Missions Woman's Board" was the "Woman's Board of Missions," because that is the foreign mission agency of the women of the Congregational Church; and I believe that the gift to the "Church and Parsonage Association of the West" was given to the "Congregational Church Building Society," as it was the only organization building Congregational churches and parsonages in the western part of the United States. There were

other misnomers in the will. In fact, out of the seven or eight gifts to charities in that will only two of them were properly named, and the attorney who drew the will happened to be in court and was asked by the presiding justice where he obtained the names and said they were given to him by the testator and admitted that it was not his practice to check up the names of charities to see whether or not he had received the proper legal name.

Let me tell one other case. I am told by an attorney who represented the American Board some years ago that a man who was desirous of making a will called in a lawyer who knew little or nothing about charitable organizations, and made a statement to his lawyer substantially as follows: "I have no use for foreign missions. I do not want one dollar of my money to go to foreign missions, but I am greatly interested in home missions and I want you to fix my will so that every dollar I give to missions will be spent in this country. Be sure and give it to the American Board of Missions at Boston." The lawyer did not look up the corporate name of the board and did not know the field served by the American Board of Missions. After the death of the testator the court ruled that his conversation before his will was made merely expressed his desire but in his will he had distinctly given his money to the American Board of Boston, which was the American Board of Commissioners for Foreign Missions, and this money, which undoubtedly was intended for home work, was spent abroad; but I presume that at some time or other someone who wished all his money to be spent in foreign missions made a similar mistake so that an equal amount of money was spent for home missions.

I tell these stories merely to show the necessity of in some way keeping before attorneys the legal names of our several organizations and the purpose of each.

The matter of making better wills, having them legally drawn and wisely conceived, is an important matter, not only to benevolent organizations, but to the world in general, and this part of the subject assigned to me is answered by saying that it is very desirable that wills should be legally drawn, should be wisely conceived, and should be better than they usually are.

It does not seem to me that benevolent organizations through their treasurers or financial secretaries can do a great deal toward the making of better wills unless more emphasis is put on the second part of my subject; namely, the necessity of education. How to educate the public is, to my mind, the more important question. It has been said that the legal fraternity resents any interference in the way of making wills by trust companies or other organizations, and it seems to me that benevolent societies should be very careful not to in any way trespass on the field of the attorney. The great objection, to my mind, to the advertising done by banks and trust companies has been their attempt to show that they can advise as well as attorneys and that it is safer to have banks or trust companies act as executors or trustees than it is to have lawyers act in this capacity. My own experience has been that in the long run it is no safer and no cheaper, and that it is certainly far safer to have an attorney draw the will. The only possible advantage that I have ever been able to see in a trust company acting as executor or trustee is the permanency of the trusteeship.

It is very desirable that people should be wisely informed as to the ways in which they may give money to benevolent organizations; that is, they should be told that they may establish a fund, if they so desire, so that the income only can be used in the work of the society or board to which the fund is given. In

this way they have an opportunity to establish a memorial to a friend or relative, and my experience has been that many people find this form of memorial more satisfactory than a marble monument, or the like. It should also be called to the attention of the person making the will that if property is given to the board without other words, the board, of course, has the right to use the entire fund in its work; and right here, it seems to me, that lawyers and others advising on the drawing of a will should be careful to urge that the use of the income of a vested fund should not be too narrowly directed. That is, for example, it is unwise to say that the income from a fund shall be used for the support of a certain school, church or mission, because after a period of twenty-five or fifty years the necessity for that school, church or mission may have ceased to exist and then the society would have to appeal to the court for instructions as to how to use the income. My own advice in many cases has been to use words substantially as follows: The income to be used in the support of a certain work so long as the said board (naming the board to which the fund is given) shall operate said school, church or mission, and if at some future time said work shall cease to operate under the direction of said board, then said income may be used in the discretion of the said board.

It is also advisable to call attention of the people who are giving to the question of taxation, and many times, if they will consult an attorney, they may save the board a good many dollars. For instance, I know of a case at the present time where if money had been given to a certain state board instead of a national society there would have been no inheritance tax to be paid and substantially the same work would have been accomplished; but the donor evidently was not well advised and gave the money to the national so-

ciety so that a large inheritance tax was deducted from the legacy before it reached the charity. This, as I have said before, would probably have been avoided had proper legal advice been obtained before the drawing of the will.

It seems to me that it is proper, and very desirable, for benevolent and charitable societies to keep before their constituency, and if possible before lawyers who are making wills for people, and doctors who very often are asked to advise patients regarding the disposition of property, and also ministers who often advise parishioners, the exact name of their corporation and a general form for a legacy or devise; and I think no harm would be done if in the advertisements of the several organizations it was stated in a careful way that the treasurer, financial secretary or attorney for the board would be glad to assist at any time in the drawing or advising of a clause in one's will in behalf of the board or corporation in which he is personally interested. It seems to me that a promotional secretary or agent, particularly when he is talking to an individual, might say that the attorney connected with his organization would be willing, without charge, to advise regarding the wording of a clause for a legacy or devise to the board with which he is connected.

During the past few years I have had considerable correspondence with lawyers who have asked me to either look over a clause they have drawn and make suggestions or to frame a clause for them which they could incorporate in a will. In most cases I have not known the name of the person making the will.

By keeping before our constituents and the lawyers, so far as possible, the legal name of our societies a great deal can be done toward the making of better wills. I know of no better way to do this than to have on all our literature, both monthly publications and special publications, a clause which can be incor-

porated into a will in which the proper name of the society is printed, and I would therefore advise, so far as it is practicable, that the suggestion appear quite often in printed matter that either the treasurer, financial secretary or attorney for your particular board will be glad to assist or advise concerning the drawing of a will where your particular society is to be named as a legatee or devisee.

It would be an excellent plan if the Committee on Financial and Fiduciary Matters, acting in behalf of all denominational missionary and educational boards, should publish a circular or pamphlet giving the exact legal names of the corporate bodies serving these missionary and educational interests, the address of the headquarters' office, and the objects served by the different corporations, and should put this printed statement in the hands of members of the bar. Of course this would be quite an undertaking, but it would certainly accomplish most valuable results.

While perhaps the following is not closely related to my subject, I want to take this opportunity to call the attention of those present to a feeling which exists among certain laymen and lawyers, and which was called to my attention several times before I became treasurer of the American Board and has several times since been called to my attention, and that is, the question of the treatment accorded people who send or bring checks to the various offices of our religious and charitable organizations. I find that quite often these people feel that they are treated discourteously and in a very arbitrary manner, and consequently have a very unfavorable opinion of charitable societies, which they do not hesitate to talk about. Recently a lawyer told me that he went to New York to a certain society to pay over a small legacy of approximately \$5,000, that he was told that the treasurer was busy and would see him in a little while. He waited

half an hour or more before the treasurer was ready to see him and then the treasurer demanded his account as executor and criticised certain charges in that account. The lawyer said that while he disliked very much to be told to wait when he was giving the society money, and the treasurer knew he had money to give the society, that he did resent what he called the discourteous treatment that he got in the treasurer's office. He said that he had no objection to showing the treasurer his account and explaining any of the items therein, but the manner in which the account was demanded and the antagonistic way in which the criticisms were made turned him against that particular society. I realize that treasurers are often very poorly informed regarding estates and that we are obliged to examine with a great deal of care executor's accounts, but it does not seem to me that we should get into a condition of mind whereby we show the slightest discourtesy to a person who brings in a check, even if the check is only for a dollar. Courteous treatment is reported and broadcasted much farther than are any other aspects of our work, and becomes in the end the very best kind of advertising.

CHAPTER XII

GIFTS THROUGH INSURANCE

BY GRAHAM C. WELLS

Chairman Executive Committee, National Association of Life Underwriters, New York

[NOTE—Mr. Wells followed the outline of the paper prepared by Mr. Edward A. Woods, of Pittsburgh, Pa., which is here printed.]

Suggestions as to the Use of Life Insurance for Bequests

THE NEED

Increasing needs of the religious, social, charitable and philanthropic institutions of our country; increasing costs; increasing demands; constant drains upon America for foreign aid—these and many other circumstances make it necessary to resort to every possible source from which to obtain or solicit funds.

BEQUESTS

In the past, bequests have been a large source of funds for the many charitable and social institutions of our country. As a rule these bequests have come from persons of large means. Of the \$2,879,372,168 left by decedents in 1921, having gross estates of \$50,000 or over, \$195,891,684 was bequests.¹

EFFECT OF ESTATE TAXES ON BEQUESTS

The imposition of estate taxes, both federal and state (and every state but two now imposes an estate tax), is bearing heavily upon the net amount left by

decedents. A summary of the survey of five hundred and nineteen estates in six large cities of the United States—New York City, Philadelphia, Pittsburgh, Cleveland, St. Louis and Chicago—indicates that there was a total depreciation of 25.9 per cent of the gross estates, as follows:

Federal Estate Taxes.....	11.1%	
State Inheritance Taxes...	3.0%	
Miscellaneous Taxes.....	2.1%	
Administration Expenses..	3.6%	
Debts.....	6.1%	
		25.9% ²

Since September 9, 1916, the date the estate tax law went into effect, to May 1, 1924, the federal government has collected \$743,646,248.15³ in taxes—from the very class of persons from whom bequests most generally come. For the fiscal year ending June 30, 1923, the amount of these taxes collected was \$126,705,206.55³. One requirement of both the federal and state governments is that these taxes must be paid in *cash* and, generally, *at once*, before any bequests are available. Some states, such as Ohio, offer a discount of 1 per cent a month for prompt payment of this tax.

Many estates pay taxes not only to the federal government but to several states where property is held. The estate of the late H. C. Frick paid taxes not only to the federal government but to twenty-nine states; and on the same property has paid a tax to the federal government and to the states of Pennsylvania, Kansas and Oklahoma.

These taxes take the "heart" out of an estate—not a proportion of the real estate, the interest in a business, the securities whether liquid or slow—but the federal and state governments exact *cash* and demand payment promptly, prior to payments to family or creditors.

SHRINKAGE OF ESTATES DUE TO ESTATE TAXES

Secretary Mellon has well said of the shrinkage of estates thus forced to raise the cash necessary to pay these estate taxes, which shrinkage is not included in the 25.9 per cent depreciation mentioned previously: "Thus a tax of 25 per cent may well become equivalent to a tax of 35 per cent."⁴

While Secretary Mellon justly observes that either the federal or state governments, but not both, should tax estates, there is little evidence that they will follow his advice. Indeed, the recent tax bill raises the federal estate tax still higher, from a maximum of 25 per cent to 40 per cent. In a recent address before the American Bankers' Association, a speaker gave one suppositious case where the estate taxes might amount to 250 per cent of the estate.

Taking money from the deceased before the living legatees get it seems too "easy money" to legislators anxious to swell the \$7,500,000,000⁴ now being paid by the people of the United States in taxes.

ESTATE TAXES A RESTRAINT ON BEQUESTS

The knowledge that before even the family heirs can receive money and before creditors can be paid, these large burdens must be met in cash has already had and must still have a very great effect in shrinking the amounts that are or that might otherwise have been provided for bequests by will. This \$743,-646,248.15 paid in estate taxes to the government could, before the imposition of this new exaction upon estates, have been diverted to religious, charitable, educational and other social institutions without taking one penny from the families of the decedents. Indeed, if the same amount had been left for bequests, estates would not have been required to sacrifice assets in order to pay these taxes, as such bequests

would have taken their course with the regular settlement of the estates. The great burden of the cost of charity to the United States would have been diminished by that extra amount accruing to the charitable institutions of our country in this way.

The \$195,891,684 left by bequests in the United States in 1922 is a considerable sum notwithstanding the burden of these estate taxes. If with increasing taxes an increasing realization of their effect should reduce the amount thus being left now, it will seriously further curtail the work of our religious, educational and charitable institutions, which need more funds instead of less.

LIFE INSURANCE—ONE SOURCE OF LARGE INCOME

Most institutions need immediate money—but the same institutions will need money, five, ten or twenty years from now also. The next best thing to getting immediate money is the certainty of getting future money.

Life insurance furnishes a large financial pool which might be drawn on to some extent to meet these great demands. There is \$70,586,719,530⁵ of life insurance of all kinds in force in the United States, and it is reasonable to assume that any person of some means carries some life insurance. While in the great majority of cases this life insurance is inadequate for absolute needs of the families or estates, there are still among insured, perhaps more than among uninsured, large numbers of persons who can, if so disposed, leave money in this way to institutions in which they are interested; perhaps even leave it more readily than otherwise, or leave more money. This use of life insurance makes it easily possible to do what many persons would like to do.

ADVANTAGES OF LIFE INSURANCE AS BEQUESTS

The advantages of life insurance in furnishing immediate cash—being paid for by the insured during lifetime and not depleting estates, free from administration expenses, taxes, shrinkage, contests of will and payable at once and in cash—are set forth in a pamphlet by the writer, entitled “Life Insurance for Bequests.”

One recent, striking example of the advantage of life insurance as bequests is that of the provision of the late Isaac Seder of Pittsburgh. He generously provided more than a score of the charitable and religious organizations of all kinds with bequests from his estate, but he provided, in particular, two institutions in which he was particularly interested—a local hospital and the United Hebrew Charities—with \$50,000 and \$25,000, respectively, by life insurance policies payable directly to them. These two institutions already have received their bequests in cash (within a few weeks of the death of the donor), without any tax or administration expenses payable either by them or by the estate of Mr. Seder; and the premiums on this insurance were deductible from his income tax if within the 15 per cent allowed by law.

It will be interesting to know when the other generously provided bequests are actually received, particularly when it is remembered that the munificent bequests of the late H. C. Frick, who died in October, 1919, are still unpaid, and that all the expenses of administering and liquidating this estate, including payment of taxes amounting already to nearly \$11,500,000,⁶ fall entirely upon his charitable bequests. The advantages of at least two institutions receiving immediate cash, as provided by Mr. Seder through life insurance, are obvious.



HOW LIFE INSURANCE CAN BEST BE UTILIZED

(1) *Existing Policies.*—There are many policies now in force on the lives of persons, many of them well up in years, which have served their original purposes. This is a very desirable class of policies for religious and charitable institutions to possess. Taken originally for a dependent family, this need may have passed—the wife may have died, or there may be no children, or they may have become self-supporting. A benefactor might be much more willing to assign such a policy to an institution in which he is interested because—

(a) It is money he never expected to get or use himself.

(b) It will not interfere with the settlement of his estate, as such amount would not be taken from present principal.

(c) He will have the satisfaction of knowing that this amount will go *in full* to the designated institution, without any costs whatever of administration fees or, as is true in most states, any federal and state taxes.

(d) If such policies are made payable absolutely to a charitable institution, under present federal laws the premium is not subject to income tax within the 15 per cent limit. Therefore, one desiring to turn over a policy to a charitable or religious institution saves both the peak of inheritance tax and the peak of income tax upon the principal and annual cost.

(2) *Second Beneficiary.*—Many persons, in applying for life insurance, have but one beneficiary in mind—mother, sister, wife, child. It would be good business for the life underwriter, in asking who shall be the alternate beneficiary in case the first-named dies, to suggest that the applicant name some insti-

tution in which he is interested. Persons often neglect changing the beneficiary after the death of the first-named beneficiary, and such policies often revert to the estate, thus becoming subject to inheritance taxes and administration expenses, which would be saved if left payable directly to some individual institutions.

If, as a second beneficiary in such cases, some institution could be named, such policies would not only be paid immediately to such institution, with all the advantages of life insurance as a bequest, but such policies are more likely to be kept in force when the original incentive for carrying it has passed.

(3) *Insurance Left on Deposit.*—There are a great many policies, particularly those taken by persons of large means, where the principal remains with the insurance company on interest, the income only to be paid to the beneficiary—perhaps a wife, but more often a son or daughter. Provision that such principal should be payable directly to a religious or charitable institution, in case the original beneficiary dies, could often be suggested and the idea accepted. Such principal would then be saved from administration expenses and taxes that would otherwise be imposed.

(4) *New Insurance.*—There are 150,000 life underwriters in the United States. These underwriters insured nearly 3,000,000 persons last year for \$13,500,000,000, exclusive of over \$10,000,000 in small, industrial policies⁷; and these underwriters must have approached many times that number of persons in their daily business of soliciting. Any new need that life insurance can supply is profitable for the underwriter. If our religious and social institutions can be benefited by life insurance, and many persons can more readily make bequests in this way, the presentation of this need by the life underwriters of the country is good business as well as a great social

service. It means that these many underwriters will be interested themselves in the religious and social institutions of our country; that they will be informed about their activities and needs, as they must be in order to present the various needs. Their advocacy of such institutions, besides the result of securing bequests, is publicity of the best kind. Every institution will be helped by the fact that the life underwriters of the community are familiar with its needs and are presenting these constantly to the people, and the ultimate effect of this constant presentation by this vast army of 150,000 underwriters must have great value.

(5) *Additional Policies.*—Every underwriter is interested in increasing the amount of his sales. The suggestion to a person who is buying, say, a policy for \$10,000 that he must be particularly interested in some religious or social institution, particularly if the underwriter is aware of such an interest; that the person add an additional policy for such institution, will in the aggregate have good effect. If, thereby, extra policies of \$1,000, \$2,000, \$5,000 or more are taken, and as such policies would in the course of time mature, it is evident that there would be large sums eventually accruing to various institutions through this channel.

Such policies, if made payable absolutely to certain institutions, cannot be changed as by will or codicil; and the accumulated cash value will always belong to the institution.

BEQUESTS BY LIFE INSURANCE AVOID CONTESTS OF WILL

Many an institution has become involved in very embarrassing contests over wills, resulting often in loss of the entire bequests and in the institutions

being put in the embarrassing situation of fighting the deceased's own kindred in order to secure what the will indicated had been intended to be provided for the institution. No class of will is more frequently contested than that having provisions for charitable institutions; as relatives, often very distant ones, persuade themselves that they are being imposed upon. Policies of life insurance, if payable directly to such institutions, avoid this embarrassment and expense, which is often very heavy.

CO-OPERATION OF INSTITUTIONS

To achieve the greatest results, institutions must be interested in this source of supply of funds, must approve of it and, when assured that it will be properly presented by designated underwriters, must to some extent co-operate.

This does not necessarily mean that the heads of such institutions must furnish either names or letters of introduction for underwriters. The underwriter who cannot himself find the persons interested in a given institution and present life insurance to them as a means of supplying funds, is not a trained underwriter. But it can readily be appreciated that if underwriters learn of certain persons interested in the various religious and social institutions of the community—a certain church, hospital, college, Young Men's Christian Association, or any of the hundreds of organizations—and they can, thus, more intelligently present the way in which life insurance can supply these needs, it gives them good contact with prospects, affiliates them with the institutions serving the community, makes them an ally of the foremost people, and furnishes them with leads that will, in the aggregate, result in much additional business for the underwriters and added funds for the institutions.

It is suggested, therefore, that all organizations and institutions when making requests for funds or bequests—in their catalogues, annual reports, campaign publications and various other publicity, as well as in their appeals to possible benefactors personally—have in mind the existence of life insurance policies that have served their purposes and the possibility of new insurance that might be taken, and that they constantly suggest these sources of bequests.

HOW TO PROCEED

There are nearly two hundred life underwriters' associations throughout the United States. Such bodies will be very willing, upon proper arrangement, to meet with representatives of religious and social institutions and discuss plans by which help can be given and, particularly, to make known to the public through the life underwriters in their daily work, means by which, at the same time, our institutions may be more abundantly supplied with more funds and thus more insurance be written, to the mutual advantage of all.

It is also suggested that religious and other institutions desiring to secure funds or bequests through life insurance acquaint their benefactors and friends, the public and, particularly, life underwriters with the needs of their institutions. In appeals for funds, some such form as the following, used by the Illinois Presbyterian Education Fund, might be utilized:

LIFE INSURANCE AS GIFTS OR BEQUESTS

Bequests can often most certainly, conveniently and economically be made through life insurance, either a policy already in force and that has, perhaps, served its purpose, or a new policy taken out for that distinct purpose. Life insurance for bequests has many advantages:

The estate remains intact, the bequests not affecting it.

It is paid for by annual payments during lifetime.

If the policy is payable absolutely to the desired institution, the annual premium comes within the 15 per cent exemption from income tax permitted under the federal revenue law.

Insurance money is payable immediately without any delay of administration, free of expenses and under the laws of most states free of state or federal taxes, free of contest of will or other delay in litigation.

Such policies, in order to enjoy the benefits mentioned, should be made payable or assigned to the charitable beneficiary absolutely or in trust for its own use; or, under the Uniform Trust for Public Uses, to a bank or trust company in trust for the charitable beneficiary.

Co-operation between the underwriters and the heads of various interested institutions will readily establish their common interest and greatly aid in securing life insurance bequests. This co-operation between those versed in financing institutions and life underwriters may be of various kinds. In many cases all that may be necessary would be that the institutions be informed of the fact that the life underwriters of the community are presenting this idea where appropriate. Where the financial heads of such institutions do not wish to unduly solicit their friends and benefactors, the same thing may be accomplished as a matter of business by the underwriters, without the institutions necessarily being involved in the requests.

In some cases there may be some persons whose names could be directly suggested to an underwriter who is discreet and thoroughly efficient in his business methods. There may even be some cases where the underwriter could be sent to some persons directly with the authority of the institution.

One educational institution has recently issued a pamphlet to the underwriters of the community, bringing out the institution's needs and suggesting that the underwriters present such to the alumni of that college. Of course, it will be very helpful if some specific need that could be supplied by some stated amount of money—\$1,000, \$5,000, \$10,000, \$50,000

or \$100,000—be suggested, and when new insurance is involved the underwriter could urge the comparatively small annual outlay required to supply this much needed fund.

Where a religious or social institution has a certain indebtedness, an underwriter might, after conference with and approval of the proper officials, present to certain persons the idea of enough life insurance on their lives to eventually clear this debt.

ACTUAL CASE OF PROVIDING IMMEDIATE CASH TO INSTITUTION

Many people who might otherwise either give nothing at all to a religious or other social institution at their death, or, perhaps, be able to leave but a small amount, might be willing to give a stated amount, from \$1,000 up, in cash *immediately*, with the certainty that at death it would be returned to their families or, if on the endowment plan, would be payable to them for their own old age. It might even pay an institution to carry the life insurance on one or more benefactors to the amount of such a gift; if the benefactor is young, or comparatively so, twice the amount might be carried. And this premium would still be far less than interest on the money. In this way increased amounts may be given.

An interesting example of this is the actual case of one hospital which has insured donors for the amount of their loan or gift on the twenty-five year endowment plan. One friend, aged forty-five, has given it \$50,000 in cash. The hospital has contracted to insure his life for the \$50,000, policy payable to his wife. This donor has really parted permanently with the \$50,000; he is also sure that his wife will receive this amount in case of his death and that he will receive the same sum in case he is living at the age of seventy.

Meanwhile, the hospital has \$50,000 upon which it is paying, at the start, less than 5 per cent interest, and in a few years this will be less than 4 per cent. The principal never need be repaid by the hospital and the interest payment ceases at any time the donor dies or, in any event, when he reaches the age of seventy. The donor is certain that this \$50,000 will be returned, assuming the solvency of the hospital—the life insurance company paying for it in any event.

Under this novel arrangement, the donor also is saved income tax on the income of the \$50,000 he is lending the hospital, and, what is more important, under present laws the \$50,000, if received by his wife, will be free of any administration expenses, state or federal taxes; free from any claims upon the estate or, even, from its insolvency. Thus, the donor is more certain that his wife, in case of his death, and also that his own old age are provided for than if he himself undertook the payment of the annual premium on this amount of insurance.

FURTHER INFORMATION ON THE SUBJECT

Attention is called to three publications of the National Association of Life Underwriters, obtainable through its offices at 25 West Forty-third Street, New York City, which further elaborate these ideas:

- (1) Memorandum as to the use of life insurance to secure bequests.
- (2) Life insurance and charities.
- (3) Life insurance and college finance.

FEATURE OF USING LIFE INSURANCE FOR BEQUEST PURPOSES

This means allying the institution of life insurance and, particularly, the underwriters with the foremost

people in the community and with the needs of the various social organizations and this way of assisting in their financing. One feature of this use of life insurance is in enlisting the great army of 150,000 active underwriters throughout the country in interesting prospects in the needs of our various social institutions and in presenting to their clients as a matter of daily business the great needs of these institutions. Thus, they are great free solicitors for the social institutions of our country, and this co-operation cannot but lead to mutually profitable results.

Submitted by,

EDWARD A. WOODS,
*President and Manager, The Edward A.
Woods Company, Pittsburgh, Pa.*

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² "Survey of Estates." Dan Nelson, Minneapolis, Minn. The Edward A. Woods Company Statistical Department, Pittsburgh, Pa.

³ Letter of June 9, 1924. R. M. Estes, Deputy Commissioner of Internal Revenue, Treasury Department, Washington, D. C.

⁴ "Taxation: The People's Business." Andrew W. Mellon, Secretary of the Treasury.

⁵ "Spectator Compendium." The Spectator Company, New York City, 1924. The Edward A. Woods Company Statistical Department, Pittsburgh, Pa.

⁶ "Survey of Allegheny County Estates." Dan Nelson, Minneapolis, Minn.

⁷ "Spectator Compendium," for 1924.

CHAPTER XIII

PROMOTIONAL CAMPAIGNS AND PUBLICITY

BY JOHN CROSBY BROWN

Tamblyn & Brown, Publicity and Organization, New York

I was exceedingly interested in Mr. Wells' able presentation of possible methods of enlisting the help of insurance men and companies in the aid of religious, philanthropic and charitable undertakings. When I listened to him speak, it seemed to me that if we could only persuade these 150,000 vigorous insurance men to see their duty and do it, we might just as well close up all publicity and campaign firms and, in fact, abandon intensive campaigns altogether. I am not sure, however, that this would be a good thing for the country, even if all the money needed for religion, education and philanthropy could be secured without campaigns.

I am inclined to think that campaigns have a value in themselves altogether apart from the money raised. They are doubtless irritating, annoying, exacting, strenuous, constant and relentless, but they have their constructive side. They enlist the active and effective co-operation of great numbers of men and women for noble causes. In the process of conducting these campaigns, those who participate in them as workers and those who are solicited as the public come to know and understand the causes for which the money is sought as they would understand them in no other way. Furthermore, increasing numbers of men and women are forming the habit of self-sacrificing activity for a cause greater than self. These things are real and permanent advantages. They form

habits of unselfish co-operation in action, and it is in proportion to the number of men and women who form this habit that civilization will advance.

THE PERMANENT VALUE OF INTENSIVE CAMPAIGNS

I believe that we are a less selfish and materialistic nation than we would be without intensive campaigns despite all their unpleasant features. Particularly, it seems to me, publicity has a value of its own wholly independent of the money secured by its use. It is an essential and a democratic function in our modern life—namely, that of interpreting to the general public the great deeds that the active workers in all good causes are accomplishing, but about which they are too busy to tell other people. It is quite as necessary for the good of the public that they should understand the value of this work and actively and sacrificially support it, as it is for the work itself to be financed.

For these reasons publicity should be regarded as a profession valuable in itself, on the same plane of dignity as teaching, law or medicine. Only as publicity men and women regard their profession in this light can they really be regarded as worthy of their occupation.

ESSENTIAL QUALITIES FOR THE PUBLICITY MAN

Certain fundamental qualities characterize the first-class publicity man or woman, and the same is true of the good organizer and director of financial campaigns.

The first of these qualities is integrity. In the case of the publicity man, this means strict accuracy; a punctilious regard for truth. He is employed by his client to advance his interests, to be sure; but the permanent interests of that client—if he be the right kind of client—can only be advanced by an abso-

lutely accurate, dignified, well-balanced presentation of the real facts of his case. To secure such a presentation, the publicity man must first conscientiously and thoroughly study the record of his client's work. He must make a survey of this work in all its aspects—objectively and carefully. His case must be built up on as sound a foundation of solid accuracy as is a scholarly treatise. It need not, of course, be as detailed, but it must be as fundamentally sound.

The second quality is imagination. A publicity man without imagination had far better be engaged in some other occupation. A publicity man without creative ability is in the wrong line of work, for both creative ability and imagination are required to grasp the full significance of the facts revealed by any survey of the work of any great missionary board, educational enterprise or religious body. To comprehend the significance of the achievements of any one of these great undertakings, a broad imagination, wide human sympathy and a carefully matured social philosophy are needed. The essential significance of the function of the particular enterprise in relation to the whole scheme of our social order must be grasped by the good publicity man. Sometimes this is done by thought; sometimes by instinct. But it can only result, in any case, from a ripe imagination and a well-balanced mind. I am speaking here, of course, of publicity at its best and in its highest development.

The third quality is conscientiousness. I use this word simply to describe that quality in a good publicity man which will not let him rest until he feels that every aspect of the case of his client has been presented to the audience which it is designed to reach in the most effective possible way. It is this quality, added to integrity and imagination, which leads a man to devise the most effective methods of presentation (whether they be pamphlets, bulletins,

multigraphed letters, newspaper articles, movies, radio, or what not) to carry the truth that has been discovered—the constructive message that has been developed—to the audience which must be influenced.

IS A SINGLE CAMPAIGN FOR MANY OBJECTS PRACTICAL?

This leads us to the consideration of concrete methods of expressing publicity, and perhaps I can deal with this best by answering certain questions which were presented to me before coming to this meeting.

The first of these deals with the possibility of further concentration and co-ordination of intensive campaigns. Specifically, would it be possible to have a campaign for all missionary and benevolent organizations, which would show their common interests and stimulate people of means to provide for human welfare through these agencies?

This is an age of co-ordination and centralization of financial appeals. Community chests, united hospital funds, united charities, medical *centers*, cathedrals for *all* people, win increasing popular support. The economy, avoidance of duplicated effort and diminished burden upon the sympathy and activity of the public made possible by these joint efforts strongly appeal to business men. From the point of view solely of a publicity man and with no knowledge of internal difficulties which might have to be overcome, I should say that it might be possible to have a great common interdenominational campaign for home and foreign missions which would be invaluable educationally and win great financial support. I should think, however, that the appeal would have to be limited to one great central theme of this kind. You could not add to an appeal for missions an appeal

for charities of other kinds without diminishing the strength of your appeal. If a united appeal were going to be made, there should be a separate appeal in which all possible charitable institutions would combine. In other words, there must be some great, major, unifying principle to hold together the co-operating elements.

CAN WE STANDARDIZE PUBLICITY?

I was also asked if it would be possible to standardize diversified financial appeals so as to help all those who are working in the same field and in different organizations. My answer to this would be that it would be as difficult to standardize publicity as to standardize literature or art. Publicity is too vital a profession, requiring too much imagination and originality and brains, to be standardized without destroying its effectiveness. The only standardization which I could conceive of is the formulation of a set of rules about what not to do. These rules would mostly cover such matters as "how not to be unnecessarily extravagant" and "how not to be unnecessarily economical." It is only hard-won experience of how to use print, paper and ideas which enables anyone to secure the maximum effectiveness with the minimum expense.

EXTRAVAGANCE AND ECONOMY IN PUBLICITY

Undue economy is more common than extravagance. On a limited budget, economy is exceedingly important, but it would be far better to avoid producing literature at all than to produce a good deal of the literature which is sent out from philanthropic bodies with the marks of economy in type, paper and, sadly enough, even in brains, glaringly displayed upon them. It might be possible to develop a code of rules

covering these matters, but in the last analysis the decision depends so basically on the good judgment of the individual in charge that I am not very confident of the value of any standardized set of rules in this connection.

THE BEST TIME FOR A CAMPAIGN

The third question I have been asked is: What times of year are more advantageous than others for appeals in publicity? I will simply give an arbitrary answer to this, as follows: Early fall, mid-winter and late spring. I would add—do nothing in vacation time, whether the vacation place be Palm Beach or Bar Harbor, and whether the time be winter or summer. If you have some choice musical or intellectual treat which you can provide your prospective victim, it is possible to do so during these periods, but otherwise it is far better to wait until the prospect's return to the marts of toil.

Finally, I have been asked to express an opinion on the relative merits of the spoken word, the printed page, the radio, the printed picture and the moving picture. Roughly, I would group them in the following order: (1) Printed page and spoken word; (2) printed picture and moving picture; (3) radio.

THE RELATIVE VALUE OF THE SPOKEN AND THE PRINTED WORD

The printed page is now, and always has been, with the exception of the direct personal interview between two or three people, the most effective vehicle of influence in any great movement. It is still our main reliance as a publicity firm, and we believe its influence is greater than any other factor. Perhaps, however, the spoken word at great public gatherings is of equal importance. Certainly I can testify from

recent experience that one gift of \$100,000 has resulted from the inspiration of the opening meeting of one of our campaigns. Another gift of \$500,000, while I cannot adduce direct evidence, was decidedly influenced by the opening meeting of another campaign. The magnetism of the great speaker, the thrill of a great public gathering addressed by masters of eloquence, is and should be a permanent part of all well-directed campaigns. People are tired of campaign dinners and luncheons. They are also tired of being self-sacrificing, of being sympathetic, of giving money, of doing everything that involves effort and hard work. Nevertheless they continue to come to such meetings; they continue to be inspired by them; they continue to give because of them; and, in my judgment, they will always do so as long as public spirit and generosity are dominating qualities of the American people.

The printed picture and the moving picture, especially in private gatherings, are exceedingly valuable, and I would place them at present second in their power to influence.

The radio is at the beginning of its career. It has a future of unknown influence. I cannot gauge it accurately. We are using it more and more in our campaigns and are finding it helpful. At the present time, however, I would not consider its influence on a par with the other factors I have mentioned.

THE JUDICIOUS USE OF COLOR

Let me add one more word of detail in favor of color in printing. Wherever possible, and especially where the budget is not large enough to provide for pictures, I would advocate the use of bright and vivid color in pamphlet literature. There is an appeal to the eye which encourages the reader to follow the

trend of thought. Experience has proved its value so many times that we can doubt it no longer.

Publicity is a young profession. We are just beginning to learn its possibilities for useful service. I believe them to be almost unlimited, and I think that it is increasingly important that persons of first-class ability devote themselves to this type of work.

CHAPTER XIV

FINDINGS

REPORT OF THE FINDINGS COMMITTEE

We commend the wisdom and energy of the Committee on Financial and Fiduciary Matters in bringing this conference to pass. We acknowledge our obligation to the chairman, to the speakers and to all others who, at their own expense, have participated in making this a notable event in the upbuilding of the Kingdom. Our chief acknowledgment is due, and is heartily given, to the chairman of the Committee on Financial and Fiduciary Matters, who for years, in season and out of season, has spared neither time or money nor energy in making preparation for this conference.

Our consciousness here of the community of interest among the representatives of banks, trust companies, investment agencies, insurance companies, attorneys, and missionary and educational societies—all members one of another—has been a revelation to some and an inspiration to all.

We recommend—

(1) That another conference be held at the discretion of the Committee on Financial and Fiduciary Matters as to time, place and objectives.

(2) That a group of men be especially designated to study the factors which insure the soundness of investments from an ethical as well as a financial point of view, to the end that the dictum now generally accepted in the world of finance may be more fully realized that no investment is sound unless it is ethical.

(3) That the methods of all organizations having annuity programs be scrutinized with reference to rates, methods of bookkeeping, legislative conditions

under which they operate, and inter-board comity. The conference believes that much is to be gained by placing denominational and interdenominational programs on a co-operative rather than a competitive basis.

(4) That the favorable attention of all those having the care of securities be called to the facilities of trust companies for taking care of such securities at a minimum cost. We commend those trust companies and foundations which have organized their business with a view to furthering the interests of religious as well as secular agencies, and of agencies without as well as within the communities in which they are located, as a method of attaining the end. We recommend a careful study of the Standard Resolution which has been approved by official vote of the conference.

The following statement, sometimes known as "The Standard Resolution," has been adopted by several organizations:

(1) As a general rule, philanthropic purposes can best be promoted by direct and absolute donations and bequests to suitable institutions engaged in the desired work.

(2) If a public benefactor does not wish to make an absolute donation or bequest, but desires to create a trust, he should do so preferably under one of the following plans:

(a) When a person has clearly in mind a definite object for which he desires to create a trust and that object is cared for wisely and well by a suitable corporation of permanence and character, having power to accept trusts for its own purposes and suitable equipment for the management of trust funds, he may wisely make his donations and bequests to such corporation as trustee for such purpose.

(b) When a person contemplates the creation of a trust for some charitable object and is uncertain as to the precise methods of carrying his purpose into

effect, or contemplates benefiting a class of persons, an organization or a group of organizations, the perpetuity or the management of which may be open to question—in these and similar cases of doubt and uncertainty—he may wisely make his donations and bequests to a suitable trust company or bank having trust powers, which is prepared to receive trusts under an agreement known as the *Uniform Trust for Public Uses*, and thus avail himself of suitable provisions therein made for future adjustments and adaptations safeguarding his original intentions and tending to reduce causes for litigation to a minimum.

(5) That renewed efforts be made, in conjunction with experts in the field, to approximate uniformity on a sound basis in legislation in the several states, affecting (a) notice to legatees, (b) percentages of estates that may go to charity, (c) the time elapsing after a will is made before the death of a testator, and (d) inheritance taxes.

(6) That the unique and worthy possibilities of the “estate note,” when prudently handled, be given the sympathetic consideration of our boards and institutions.

(7) That constant efforts be made to secure the absolute safety of investments by the application of all approved precautions. To this end soundness of investment must be placed before interest rates, responsibility for the selection of investments must be placed upon a duly constituted committee and not in an individual, and this committee should be required to work in conformity with a carefully framed code of investments. In addition, the risks—and there will always be risks—must be well distributed.

(8) That special attention be given to possible methods of co-operation with banks, lawyers and trust companies in the making of wills and the establishment of trusts to the end that the legal documents

involved may be accurately drawn, and that due recognition be given to the missionary and educational agencies of the churches, denominational and interdenominational.

(9) That steps be taken, as the way may open, for a study of the organization, method of accounting, reports and the safeguarding of funds of the various denominational and interdenominational boards and agencies.

(10) That the Committee on Financial and Fiduciary Matters edit and publish the papers which have been read at this conference.

(11) That a general plan of publicity be carried out in behalf of legacies, annuities, estate pledges, and life insurance for missionary and educational purposes, both on a denominational and interdenominational basis.

(12) That this conference send greetings, through Dr. Anthony, to the Trust Company Division of the American Bankers Association, now in session in New York City, with the expression of a willingness and desire on our part to co-operate with the members of that organization in the solution of problems of mutual interest.

(13) That the Federal Council of the Churches of Christ in America be requested to strengthen the hands of its Committee on Financial and Fiduciary Matters in its efforts to occupy the large and fruitful field that is opening up before it.

Respectfully submitted,

ROBERT L. KELLY, *Chairman*,
SAMUEL BRYANT,
EDGAR P. HILL,
ARTHUR E. HUNGERFORD,
JOSEPH S. WISE,

Committee on Findings.

February 19, 1925.

CHAPTER XV

FIELDS OF USEFULNESS OF THE COMMITTEE ON FINANCIAL AND FIDUCIARY MATTERS

The following now appear and others doubtless will disclose themselves as experience broadens. The committee may render important services—

- (1) By formulating canons of wise public giving;
- (2) By encouraging the intelligent understanding of the broad field of charitable purposes and the portions and classes of the human race needing assistance, with a view to aiding in the selection of wise charitable purposes and suitable means of benefaction;
- (3) By furnishing information regarding agencies for the promotion of charitable purposes generally, or in particular fields of charity, including corporate names and similar details;
- (4) By sharing information with boards and missionary societies, when desired, respecting accounting, auditing, and the custody and safeguarding of trust funds;
- (5) By encouraging a sound policy in the selection, constitution and operation of committees and other agencies for distribution of funds to be shared by a group of charities, co-operating within certain fields with various organized trusts;
- (6) By encouraging the making of better wills with a view to the prevention of unnecessary litigation, co-operating with Bar Associations of certain states and of the nation, and with similar bodies, in similar efforts;
- (7) By furnishing the co-operating agencies a codification of the laws of various states covering wills,

legacies, inheritances, taxes, and similar matters, and by aiding, under certain conditions, in securing better legislation pertaining to these subjects;

(8) By serving as a clearing house for sharing information respecting the fruitful experiences of boards and societies in making annuity contracts, in handling annuity funds and other trust obligations;

(9) By serving at some time, if conditions justify, as a center or channel of common publicity concerning benevolence and finance, less probably through the public press than by securing the publication of suitable literature upon a wide variety of themes falling within the general field of these subjects enumerated.

DR. NORMAN A. WIGGINS

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DR. NORMAN A. WIGGINS

